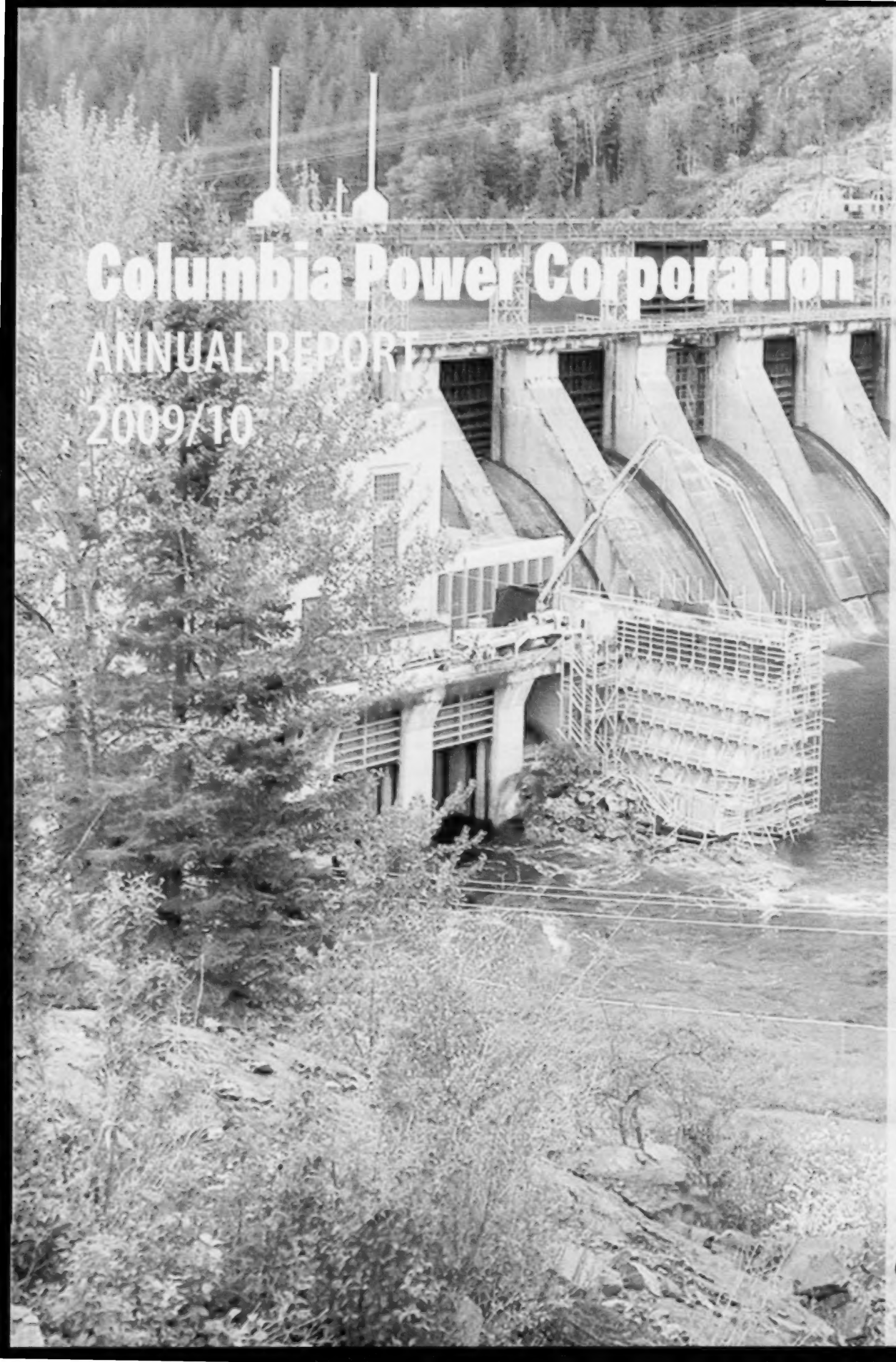


Columbia Power Corporation

ANNUAL REPORT 2009/10

BRITISH COLUMBIA
The Best Place on Earth

clean, green Columbia Power

COLUMBIA POWER CORPORATION

COLUMBIA POWER CORPORATION

ANNUAL REPORT • 2009/10

Table of Contents

Message from the Board Chair 2

Organizational Overview 4

Corporate Governance 12

Board of Directors and Officers 14

Review of Power Projects 17

- Arrow Lakes Generating Station 18
- Brilliant Dam and Generating Station 20
- Brilliant Expansion Generating Station 22
- Waneta Expansion 24

Report on Performance 25

Alignment with Shareholder's Letter of Expectations 29

Management Discussion and Analysis 30

Consolidated Financial Statements 39

Glossary 67

Appendix A - Performance Measures Framework
http://www.columbiapower.org/media/documents/CPC_ServicePlan_2010_AppendixA.pdf

Appendix B - Benchmarking, Operating, Maintenance and Administration
http://www.columbiapower.org/media/documents/CPC_ServicePlan_2010_AppendixB.pdf

Message from the Board Chair

Fiscal 2009/10 has been a year of significant change, transition and accomplishment for Columbia Power Corporation. Notwithstanding the events the company has gone through, we are finishing the year $1.7 million above the projected target.

On behalf of our joint venture partner—Columbia Basin Trust—Columbia Power oversees the operations and management of the Brilliant Dam and Generating Station, the Arrow Lakes Generating Station, the Brilliant Expansion Generating Station and the Brilliant Terminal Station. The three generating facilities continue to perform at a high level, with earnings from these assets maintaining their upward trend.

Columbia Power also manages the development activities of the Waneta Expansion Project on behalf of the Joint Venture ("the Partners") which owns all of the development assets of the Waneta Expansion. Development activities for the Waneta Expansion during 2009/10 included several significant events. On May 21, 2009, the Partners announced that SNC-Lavalin Inc. was the initial preferred proponent for the design and construction of the Waneta Expansion Project. Then, on November 4, 2009, the Partners announced that they would not be proceeding with the Waneta Expansion Project as it was currently structured.

In January 2010, Columbia Power was directed by the Province, in its annual Shareholder's Letter of Expectations ("the Letter") to explore alternate design, sales, and partnership structures for the Waneta Expansion. The Letter defines primary responsibilities and sets out the expectations of government and the Minister of Energy, Mines and Petroleum Resources.

The Partners are actively exploring other avenues and identifying other potential partners to improve the viability of the project and are currently awaiting the results of a review by the Province of a proposed joint investment arrangement between the Partners and an unrelated third party. This review is expected to be completed by June 30, 2010. The Partners are hopeful that in the coming months the project can be moved to a point where it can proceed. Restructuring the Project and its successful conclusion remains the central effort for Columbia Power.

Fiscal 2009/10 was particularly challenging for Columbia Power management and staff. Key management employees, including Barry Chuddy, President and CEO, Amy Stevenson, Vice-President of Operations, Environment, Health and Safety Affairs, and Gordon Gooding, Chief Financial Officer, left the company. Several employees also left Columbia Power for other opportunities, or retired. Due to fiscal restraint, most positions have not been refilled. Management is working diligently to address these matters.

After Mr. Chuddy's departure from the company, the role of President and CEO was held jointly, on an interim basis, by Victor Jmaeff, Vice-President of Sales and Development and Giulio Ambrosone, Vice-President of Project Implementation. I wish to thank them both for their significant contributions to Columbia Power.

On February 1, 2010, Gerry Duffy, a member of Columbia Power's board of directors, was appointed special advisor to the board of directors and assumed leadership of the executive team. An important part of Mr. Duffy's role is to locate a new CEO for Columbia Power and to renew the company's mandate with the province following the decision on the Waneta Expansion.

I wish to welcome Lillian White to the board of directors of Columbia Power. Ms. White joined Columbia Power in early 2009 and is chairing the Finance and Audit Committee. Her experience and knowledge will be of great benefit to the corporation.

On March 30, 2010, as part of a scheduled test during the Brilliant Expansion Generating Station's annual planned outage, Columbia Power's operations department conducted a simulated emergency shut-down of the facility. The test was a complete success and is an example of the capability of Columbia Power in planning and carrying out a complex operation.

Managing species at risk issues at the Brilliant Expansion Generating Station, due to the lack of an appropriate federal regulatory framework, was a key issue for 2009 with Columbia Power heavily involved in developing leading-edge mitigation practices and working on the policy development front at the national level. Brilliant Expansion continues to enjoy economic benefit from the ecoEnergy grant, receiving $4.2 million this past year, of which CPC's share was $2.1 million.

Columbia Power has made application to have its office renovations reviewed for LEED (Leadership in Energy and Environmental Design) certification. The application remains in queue, awaiting evaluation and we will report on our progress in obtaining certification in the next annual report.

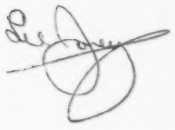
The key issues to the corporation's development activities include the costs of construction, the availability and cost of qualified labour, the price of power, the cost of financing and arriving at a power price that is attractive to potential purchasers. The corporation's short term goals include: continuing to advance development of the Waneta Expansion, ensuring all management activities are efficient and cost-effective, continuing to optimize existing assets, and developing a strategic plan to define future activities.

The 2009/10 Columbia Power Corporation annual report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act* and BC Reporting Principles. I am accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented reflects the actual performance of Columbia Power Corporation for the twelve months ended March 31, 2010 in relation to the February 2009 service plan and September 2009 service plan update.

I am responsible for ensuring internal controls are in place so that information is measured and reported accurately and in a timely fashion. All significant assumptions, policy decisions, events and identified risks, as of May 14, 2010, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, goals, strategies, measures or targets made since the September 2009 service plan update were released and any significant limitations in the reliability of data are identified in the report.

On behalf of the board of directors of Columbia Power Corporation, I commend staff and management for enduring the many changes and challenges they have seen over the past year and I encourage them to continue their excellent work.



Lee Doney, Chair

Organizational Overview

Columbia Power Corporation is a Crown corporation wholly owned and controlled by the Province of British Columbia, existing under the *Business Corporations Act* and reporting to the Minister of Energy, Mines and Petroleum Resources. Under the terms of its amended Agency Agreement with the Province, Columbia Power is an agent of the Province and the Treasury Board has the ultimate authority for new power project investment and significant financial restructuring. Established in 1994, Columbia Power's mission is to efficiently develop and operate commercially viable, environmentally sound and safe power project investments for the benefit of the Province and the residents of the Columbia Basin. In making power project investments, Columbia Power's goal is to support the employment, economic development and resource management objectives of the Province, within the constraints of a commercial enterprise.

Columbia Power undertakes power projects through joint ventures with subsidiaries of Columbia Basin Trust and manages all of the joint ventures. Columbia Power is a small organization based in Castlegar. Columbia Power focuses on asset management activities while engaging private-sector firms to provide construction, plant operation and specialist consulting services. Through its joint ventures, Columbia Power is one of the larger producers of electricity in British Columbia.

Columbia Power oversees the operations of the Brilliant Dam and Generating Station, the Arrow Lakes Generating Station, the Brilliant Expansion Generating Station and the Brilliant Terminal Station, as well as the development activities of the Waneta Expansion Project. The Waneta Expansion received its provincial Environmental Assessment Certificate on October 13, 2007. A provincial water license was issued on January 22, 2008.

Most of the power generated at the current operating projects (Arrow Lakes, Brilliant and Brilliant Expansion) is committed under long-term sales contracts to two utilities, FortisBC Inc. (FortisBC) and BC Hydro. A short-term sale to Powerex, a subsidiary of BC Hydro, is also in place.

Returns from Columbia Power's 50% share of the power projects are available to be distributed to the Province.

Sustainability Report

Columbia Power is committed to sustainable development, which has been defined by the Canadian Electricity Association as "pursuing innovative business strategies and activities that meet the needs of members, stakeholders and the communities in which we operate today, while protecting and enhancing the human and natural resources that will be needed in the future." Sustainable development has been a key aspect of Columbia Power's project development.

Columbia Power's (CPC) commitment to sustainability principles during 2009/10 resulted in the following:

- ***Environment*** - There was one hydraulic oil spill to the Columbia River from the Arrow Lakes Generating Station. A quick response limited the oil release to fewer than 200 litres. The leak resulted when debris impacted an intake gate on one of the units. No downstream impacts were observed. A report was completed and preventative measures have been put into place as a result of the spill.

- ***Stewardship and Biodiversity*** - CPC has been working very closely with Fisheries and Oceans Canada to find a solution to the risk of harm to white sturgeon associated with the operation of our hydroelectric generating facilities and has taken a lead role in the *Species at Risk Act* (SARA) joint working group.

  CPC furthered the development of the Arrow Lakes and Brilliant lands reclamation areas including the planting of 1,500 trees, seeding of disturbed areas and control of invasive plant species.

- ***Health and Safety*** - CPC had no major safety incidents in 2009 and continues to work towards finalizing the combined Environment, Health and Safety Management System. The system is consistent with ISO 18001 and 14001 standards.

- ***Communications and Engagement*** - CPC maintains support for its current and future projects through on-going stakeholder engagement activities. In 2009, these included:
  - Regular meetings with municipal and regional government representatives to provide updates on project development;
  - Working closely with municipal and district government leaders on regional initiatives such as the 2009 Union of BC Municipalities Conference and the 2010 Kootenay/Boundary Olympic display;
  - Re-engaging the Arrow Lakes Generating Station (ALGS) Community Impact Management Committee through a series of meetings to drive the ALGS reclamation project;
  - Working with residents of Glade, BC, a community impacted by the development of the Brilliant Expansion Project, to resolve an on-going issue related to ferry access to their community;
  - Developing and installing recreational resources for the community of Glade in coordination with community leaders—these include a dock, boat launch, picnic area and historical interpretive signage for the community;
  - Worked with local and regional government representatives on the contentious issue of access road closure over BC Hydro's Hugh Keenleyside dam and CPC's Arrow Lakes Generating Station.

- ***Climate Change*** - CPC's hydroelectric generation facilities do not emit greenhouse gases; CPC now uses one hundred percent post-consumer paper for all copy and print paper. Seventy-seven percent of all CPC staff have received training to increase awareness of society's carbon footprint and how it pertains to climate change, as well as CPC's Carbon Neutral Plan.

- ***Aboriginal Relations*** - CPC organized and hosted the first-ever visit to the Castlegar area by three Chiefs of the Okanagan Nation Alliance, which included a tour of CPC's facilities. CPC staff have on-going liasion with First Nations representatives and actively participate in a number of First Nations-organized activities including the annual Okanagan Nation Salmon Feast, Shuswap Nation sturgeon pow wow, Ktunaxa golf tournament and various other events. CPC also has a dedicated sponsorship funding program to support a variety of activities including business development, youth education and training, and cultural events.

- ***Economic Benefits*** - Fifty percent of the net income from the CPC-managed joint venture projects goes to the Columbia Basin Trust to fund their regional benefits programs; CPC also has its own Community Sponsorship Funding Program, including a $500 bursary to each of the 19 secondary schools in the Columbia Basin, as well as a $2,500 scholarship to each of the three post-secondary institutions in the Basin.

Mandate, Vision and Values

The mandate, vision and values of Columbia Power are presented below.

Mandate

- Develop core hydroelectric projects and other qualifying generation, transmission and distribution projects in the Columbia Basin.
- Earn an acceptable rate of return given the risks.
- Finance power projects using the government's equity contributions, retained earnings and limited-recourse project debt, without government debt guarantees.
- Promote employment, economic development and new industry through environmentally-sound, cost-competitive power project investment.

Vision

To be a respected, continually improving company that maximizes shareholder value by developing and operating power projects in a socially and environmentally responsible manner, achieving the development objectives of the Province and the Columbia Basin.

Values

- Efficiency in the use of scarce resources.
- Good value for money for the Province and the Columbia Basin.
- Socially responsible decision-making—to the extent possible—guided by the market.
- Proactive and economically responsible environmental management.
- Respectful employment practices.

Business Model

Design

The design component involves the assessment of overall engineering, financial, economic and environmental feasibility. This includes the base engineering design, capital cost estimates, market price forecasts, stakeholder consultations, regulatory submissions and solicitation of contractor interest. It concludes with an initial Go/No-Go feasibility decision followed by a design-build competition. This component is carried out by Columbia Power with its consultants.

Evaluate

In this component, all of the design-build bids are assessed, along with power sales agreements and environmental permits, to determine if a project can proceed and if a design-build contract can and should be executed. Columbia Power, on behalf of the joint venture, is responsible for this evaluation and due diligence.

Build

With the signing of a design-build contract, many responsibilities are transferred to the design-build contractor. Columbia Power, however, engages an "Owner's Consultant" to ensure compliance with contract terms, including monitoring of quality control and environmental permit requirements in addition to its own resources, which oversee all activities at the highest level.

Operate

Once a project has been completed and commissioned, operations and power sales begin and further due diligence is undertaken to ensure all deficiencies are resolved and the facility is "fit for purpose." Columbia Power has in-house engineers knowledgeable in plant operations and maintenance, but to date, has chosen to engage FortisBC or a related entity ("Fortis") to operate and maintain the joint venture's plants, with oversight by Columbia Power. Fortis has its own assets in the region and there is economy to Columbia Power in utilizing their services. Fortis is responsible for a number of operational and maintenance activities.

Manage

Columbia Power, the manager for the joint ventures, is responsible for all activities in the business model components: negotiating and administering agreements; raising financing; paying lenders; paying taxes; complying with approvals; employing qualified staff and advisors; and, managing all finance, operations, oversight activities and associated risks.

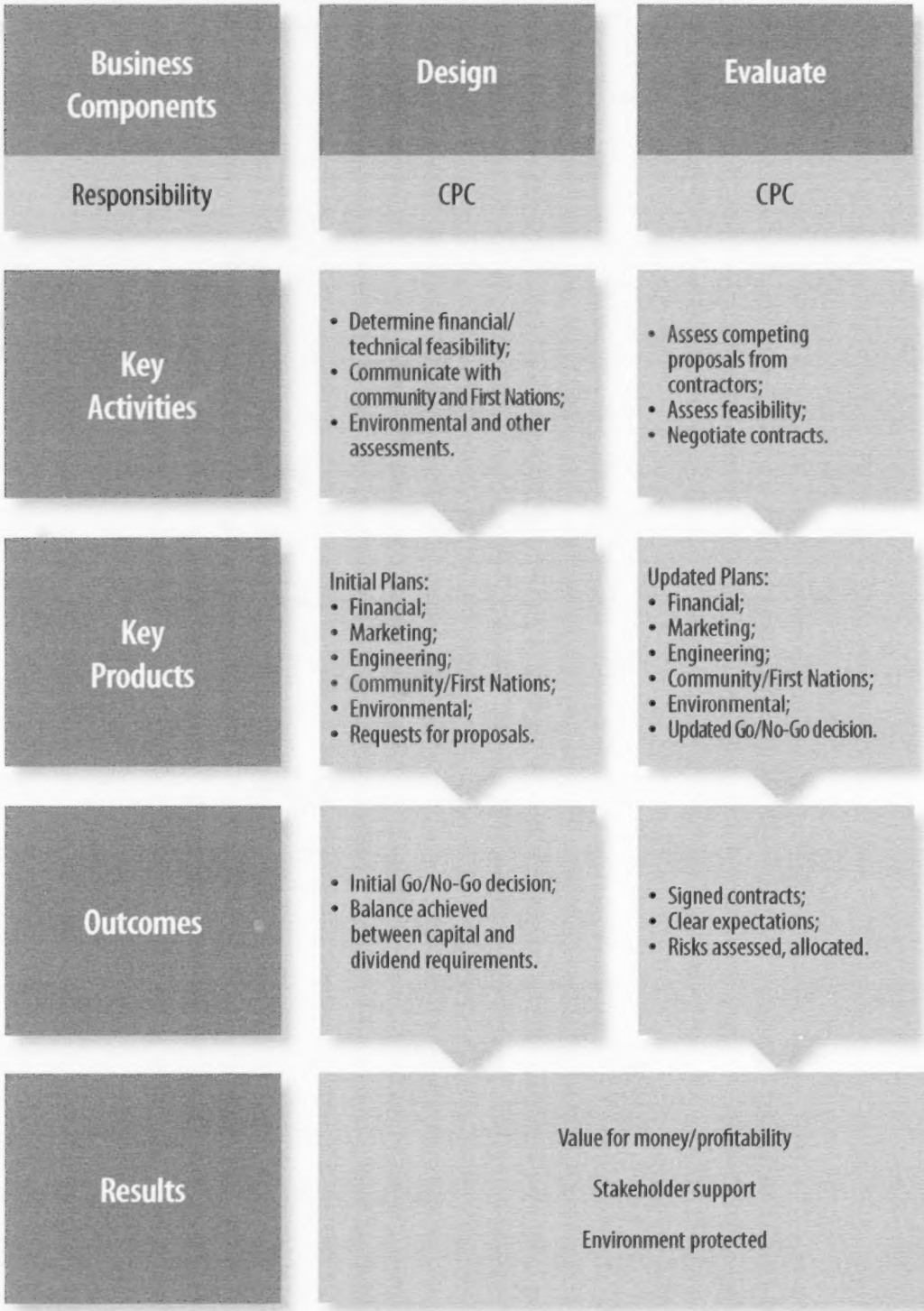
The Columbia Power business model is shown in Figure 1 on the following page.

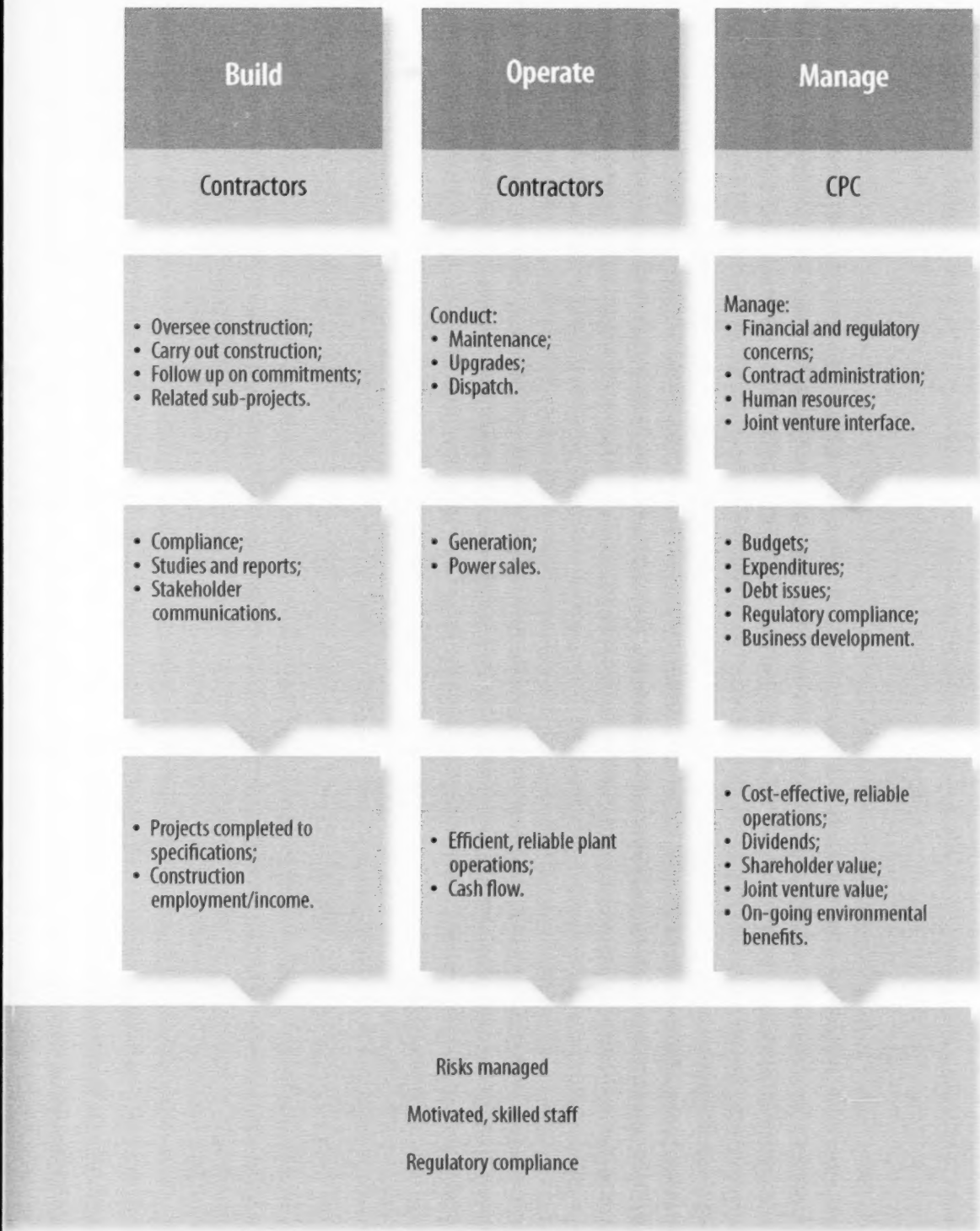
In carrying out its business model, CPC has two roles:

- It is an owner with a 50 percent equity interest, along with Columbia Basin Trust, in joint venture power projects and project(s) in development. Power projects are owned in separate corporations for the purpose of securing limited-recourse commercial project financing without provincial debt guarantees. This structure will be reviewed as part of the corporate re-financing necessary to secure adequate funding to finance the Waneta Expansion.

- It is the manager for the joint ventures including those in operation, construction and development. The corporate structure of the joint ventures is shown in Figure 2.

Figure 1. Columbia Power Corporation (CPC) Business Model




Build
Operate
Manage
Contractors
Contractors
CPC
• Oversee construction;
• Carry out construction;
• Follow up on commitments;
• Related sub-projects.
Conduct:
• Maintenance;
• Upgrades;
• Dispatch.
Manage:
• Financial and regulatory concerns;
• Contract administration;
• Human resources;
• Joint venture interface.
• Compliance;
• Studies and reports;
• Stakeholder communications.
• Generation;
• Power sales.
• Budgets;
• Expenditures;
• Debt issues;
• Regulatory compliance;
• Business development.
• Projects completed to specifications;
• Construction employment/income.
• Efficient, reliable plant operations;
• Cash flow.
• Cost-effective, reliable operations;
• Dividends;
• Shareholder value;
• Joint venture value;
• On-going environmental benefits.
Risks managed
Motivated, skilled staff
Regulatory compliance

Key Relationships

The joint venture power project companies owned by Columbia Power and Columbia Basin Trust are wholesalers of power, primarily under long-term purchase agreements with regulated utilities. A 12-year power purchase agreement (expiring in 2015) is in place with BC Hydro for the output of the Arrow Lakes Generating Station; a 60-year power purchase agreement (expiring in 2056) is in place with FortisBC for most of the output of the Brilliant Generating Station; and two 20-year purchase agreements (expiring in 2027 and 2030) are in place with BC Hydro and Powerex for the output of the Brilliant Expansion.

The joint venture hydroelectric projects have power "entitlement agreements" with BC Hydro. These agreements provide the power projects with predetermined monthly energy and capacity quantities based on historic stream flows and the flow-versus-output characteristics of each plant. The entitlement agreements remove most hydrology risk, making the projects more attractive to power purchasers and lenders. BC Hydro controls the overall hydroelectric system in the Columbia-Kootenay region, allowing it to optimize power production for the system as a whole and ensure compliance with various Canada/US agreements. BC Hydro is also compensated for the assumption of hydrology risk by being entitled to keep a small share of the average annual energy produced. BC Hydro has similar arrangements with FortisBC and Teck.

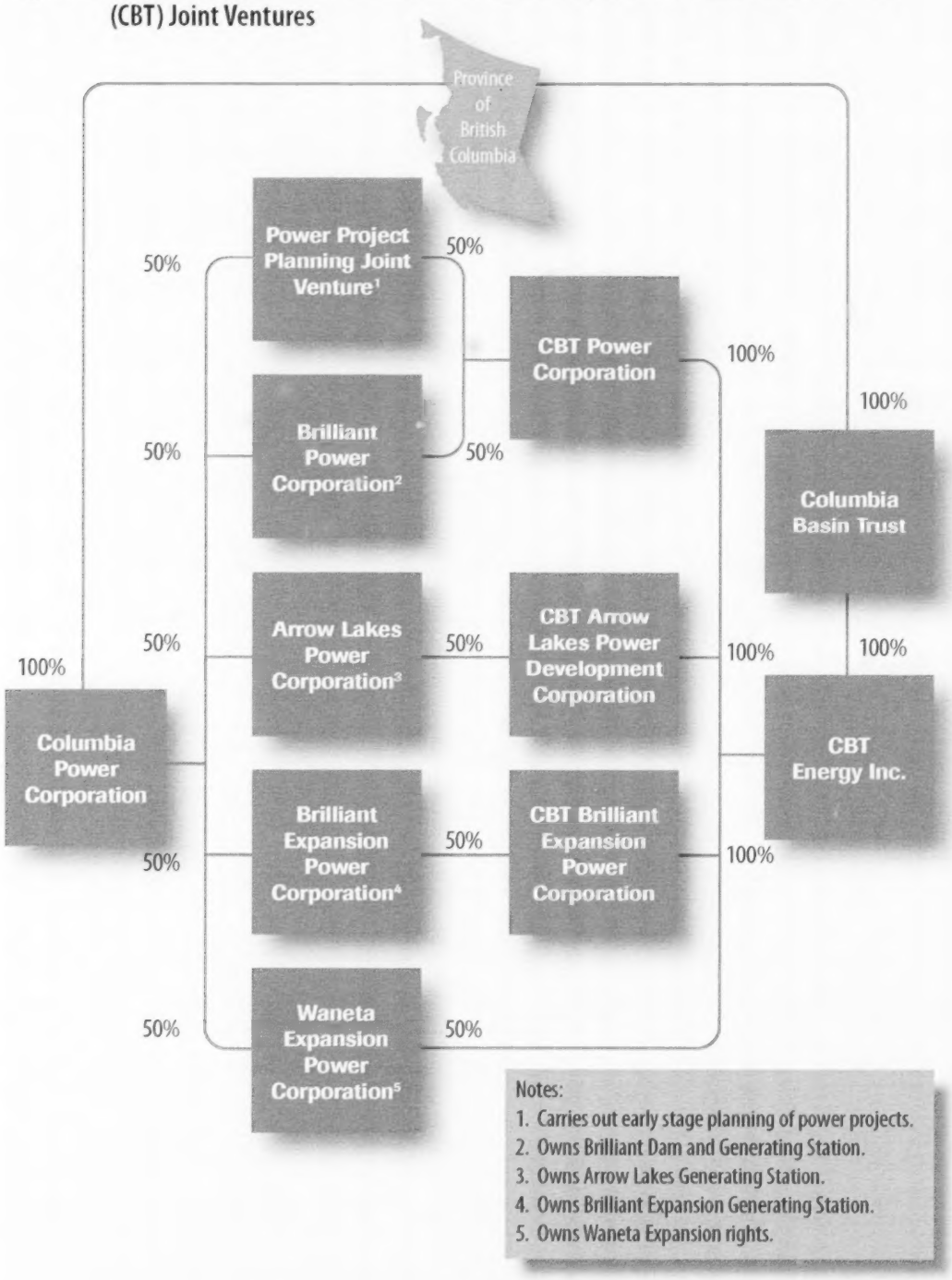
The Arrow Lakes Generating Station was constructed by Peter Kiewit Sons Co. under a fixed-price, design-build contract.

The Brilliant Expansion was constructed by the Brilliant Expansion Consortium, composed of Skanska-Chant and SNC-Lavalin Inc., under a fixed-price, design-build contract. Commercial operation was achieved in September 2007. Final acceptance will occur after a number of precedent conditions have been achieved, including achievement of the performance guarantees. The contractual milestone date for final acceptance is September 7, 2010.

The Brilliant Dam and Generating Station, the Brilliant Terminal Station, the Arrow Lakes Generating Station and the Brilliant Expansion Generating Station are operated and maintained by FortisBC or a related entity under contract. FortisBC is an integrated electric utility with approximately 570 employees. It generates, transmits and distributes electricity throughout south-central British Columbia, serving approximately 150,000 customers.

The British Columbia Utilities Commission ("BCUC" or the "Commission") is a regulatory agency of the provincial government, operating under and administering the *Utilities Commission Act*. The Commission regulates public utilities. While CPC/CBT power project joint venture companies meet the definition of public utilities under the Act, they are exempt from BCUC regulation pursuant to a Minister's Order. This Minister's Order also exempts purchasers of joint venture power service in respect of the energy supply contracts for the purchase of that service. CPC interacts with a number of public utilities regulated by the Commission (including BC Hydro, British Columbia Transmission Corporation and FortisBC Inc.) and intervenes in Commission proceedings as needed to ensure joint venture interests are appropriately addressed.

Figure 2. Corporate Structure of the Columbia Power Corporation / Columbia Basin Trust (CBT) Joint Ventures



Corporate Governance

CPC is a corporation governed by the *British Columbia Business Corporations Act*. It is owned and controlled by and is an agent of the Province of British Columbia. Its directors are appointed annually by the Province. With the exception of Gerry Duffy, while he is acting as special advisor to the board, all directors are independent from management. The board considers six directors as an appropriate and effective board size for the corporation. In the event of a vacancy on the board, the Human Resources and Governance Committee identifies the required experiences and skills for potential directors, taking into consideration the board's short-term needs and long-term succession plans, and in consultation with the Board Chair, recommends to the board for submission to the government the criteria and potential candidates.

In addition to the Human Resources and Governance Committee, the board has a Finance and Audit Committee and a Major Capital Projects Committee to assist the board in carrying out its responsibilities. The terms of reference for the board and each committee, detailed information about the directors, the committees and senior management, and position descriptions for the Board Chair, the Chief Executive Officer and the Corporate Secretary, are set out on the corporation's web site: www.columbiapower.org. The corporation also has guidelines to assist the board in fulfilling its duties of stewardship and accountability. The board and the committees allot time during each regular meeting for the directors to meet without members of management in attendance. The board does not currently have a task force or working group. CPC has contracted with a major accounting firm for the provision of internal audit services.

The Shareholder's Letter of Expectations ("the letter"+++) between the Minister of Energy, Mines and Petroleum Resources and the Board Chair (a copy of which is posted on the corporation's web site) sets out the corporate mandate, including high-level performance expectations, public policy issues and strategic priorities. Pursuant to the Shareholder's Letter of Expectations, the Board Chair and the special advisor to the board communicate regularly with the Minister of Energy, Mines and Petroleum Resources or with representatives of the ministry, to report on implementation of the letter. The letter directs the corporation to conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by government. As required by the letter and the *British Columbia Financial Administration Act,* the corporation posts on its web site its annual report, its annual Financial Information Act Report and interim financial reports on a quarterly basis. The Auditor General of British Columbia is the external auditor for CPC.

Orientation and education of board members go hand-in-hand and are a continuous process. New directors are provided with access to material from a board manual that includes all the governance documents of the corporation, as well as current financial information, descriptions of the corporation's business and assets and significant relationships, and are provided an early opportunity to meet with employees and to tour the operations. Each new director is provided with materials for and invited to attend a number of meetings of all committees to gain an understanding of their respective roles and functions, before being appointed to a specific committee. From time-to-time, the corporation engages outside advisors or consultants to brief the directors on matters of general interest or related to the corporation's business or a specific project. The board terms of reference require an annual assessment of the board, each committee and the directors. In 2009, the assessment process involved a general board questionnaire prepared and collated by the chair of the Human Resources and Governance Committee.

The corporation's Standards of Ethical Conduct for Directors are published on the corporation's web site. The directors are required to review the standards and declare compliance annually. The Standards of Ethical Conduct do not explicitly allow the board to grant waivers from any of its provisions. The corporation also has standards of conduct applicable to all employees as part of its human resources guidelines and policies.

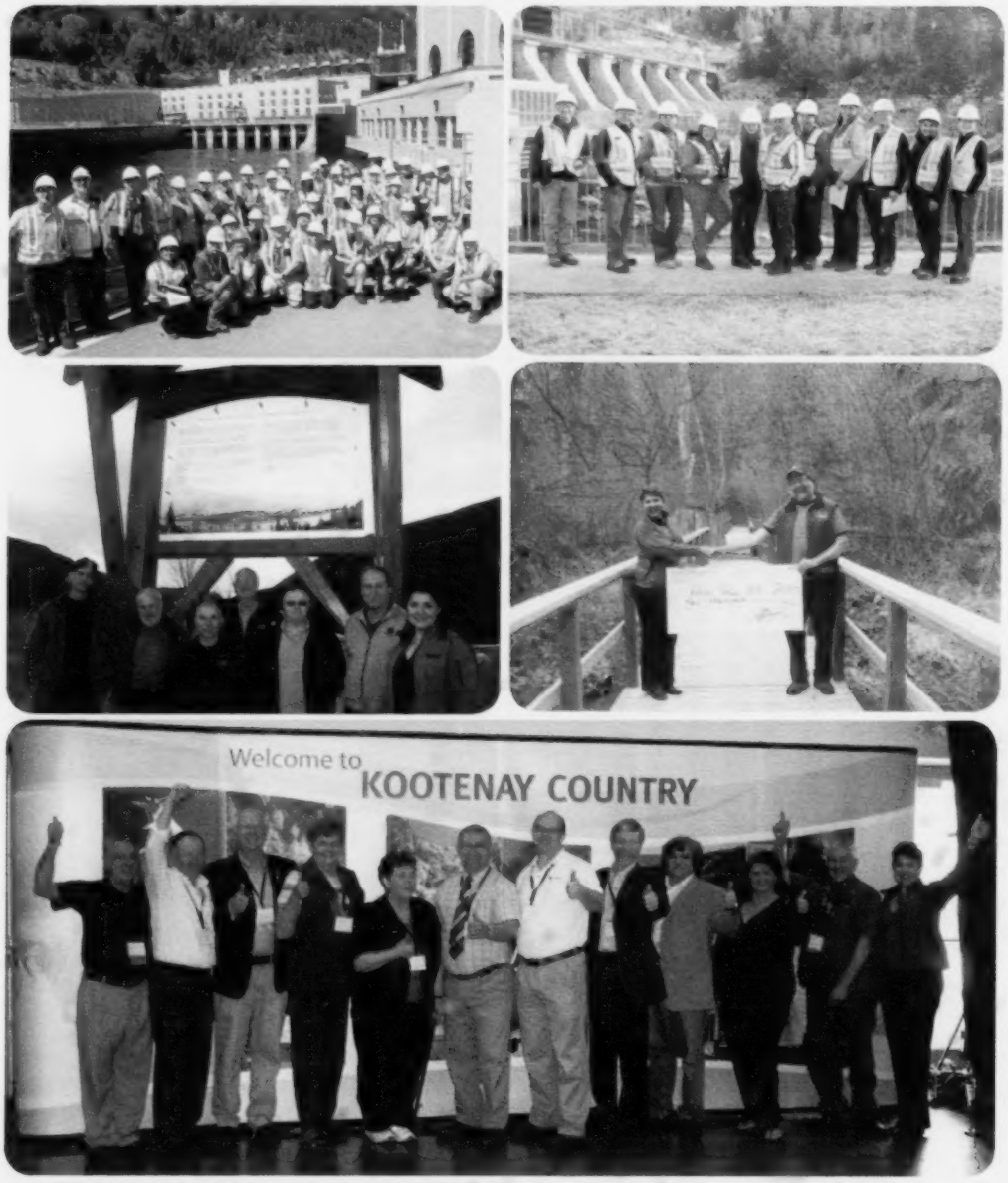
The power projects undertaken by joint ventures with subsidiaries of the CBT are owned by British Columbia corporations, of which 50% of the shares are owned by CPC. The boards of directors of these jointly owned corporations are comprised of six directors, three nominated by CPC and three nominated by CBT.

The corporation is substantially in compliance with the Board Resourcing and Development Office's board disclosure requirements for Crown corporations.

Columbia Power Corporation Board of Directors - *Back row (left to right) - Gerry Duffy, Ron Miles; Front row (left to right) - Tim Stanley, Lillian White, Greg Deck; Missing from photo - Lee Doney.* - *Ed Chernoff photo*

BOARD OF DIRECTORS AND OFFICERS

BOARD OF DIRECTORS	OFFICERS
Lee Doney *Chair*	
Gerry Duffy *Vice-Chair of the Board of Directors and* *Special Advisor to the Board/Leader of the Executive Team*	
Gregory Deck	Giulio Ambrosone *Vice President, Project Implementation*
Ron Miles	Victor Jmaeff *Vice President, Sales and Development*
Tim Stanley	Debbie Martin *Vice President, Human Resources & Corporate Services*
Lillian White	David de Git *Director, Finance*
	Don Rose *Corporate Secretary*
BOARD COMMITTEES	
Finance and Audit Committee	Lillian White, *Chair* Lee Doney Ron Miles
Human Resources and Governance Committee	Gerry Duffy, *Chair* Greg Deck Lee Doney
Major Capital Projects Committee	Tim Stanley, *Chair* Gerry Duffy Ron Miles



Clockwise from top right: Three Chiefs and other representatives from the Okanagan Nation visited Castlegar in the summer of 2009 and toured the Joint Venture facilities; Audrey Repin, Columbia Power's Director of Communications & Community Relations presents a cheque to a representative of the Winlaw Nature Park to assist in the continuing construction of a boardwalk through the park; Representatives from the Regional Districts of Central Kootenay, Kootenay/Boundary and East Kootenay, as well as Columbia Basin Trust and Columbia Power, pose in front of the "Welcome to Kootenay Country" mural. The mural's production was facilitated by Columbia Power and was displayed at "No. 6 Road" Street in the City of Richmond's "Olympic Zone" during the 2010 Olympic games; Representatives from the Regional District of Central Kootenay (RDCK), Columbia Basin Trust and Columbia Power pose in front of an historic interpretive sign that was erected by Columbia Power in the community of Glade, on land that was licensed to the RDCK by the Joint Venture partners. A boat launch, dock and picnic facilities were also installed at the site, as compensation for the construction of the Brilliant Expansion Project; The Joint Venture Partners hosted the "Water Network"—a group of students from across Canada concerned about the country's water resources—on a tour of the Brilliant Expansion Project in the summer of 2009.

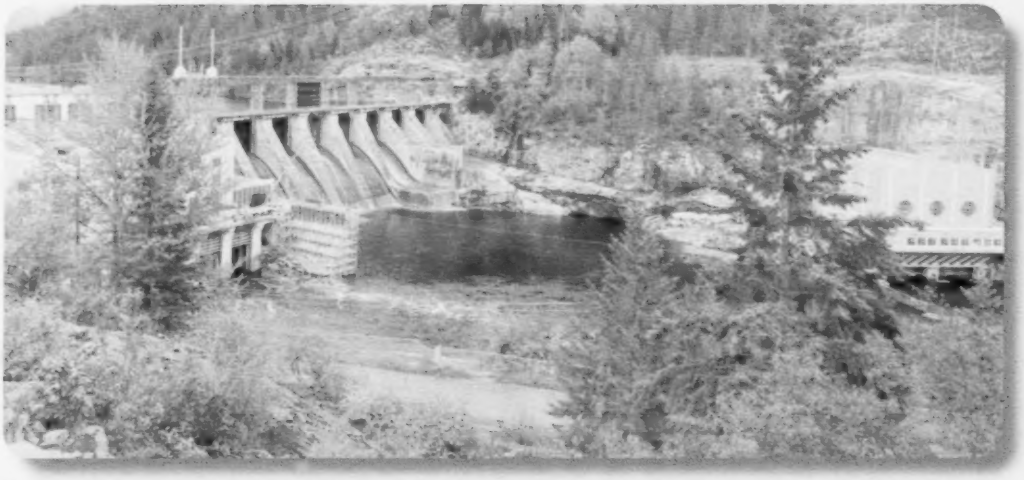
Columbia Power Corporation Project Locations in the Columbia Basin

Operations Overview

Columbia Power owns three operating hydroelectric generating facilities totaling 450 megawatts of energy capacity. The past year has been dedicated to improving long term plant reliability while maintaining our commitment to personal safety, dam safety and the environment.

REVIEW OF POWER PROJECTS

Columbia Power Corporation and the Columbia Basin Trust (through its indirect subsidiary, CBT Power Corp.) have formed the Power Project Planning Joint Venture for the purpose of assessing and advancing power projects. The joint venture is owned on a 50/50 basis by the two parties, which direct its activities through a management committee composed of members from each party. CPC is the joint venture manager. When a decision is made to proceed with construction of a power project, the project assets are transferred to a separate, jointly owned company. Currently, the Waneta Expansion is the focus of activities of the Power Project Planning Joint Venture, while other projects have been transferred to separate jointly owned companies, as set out on the following pages.



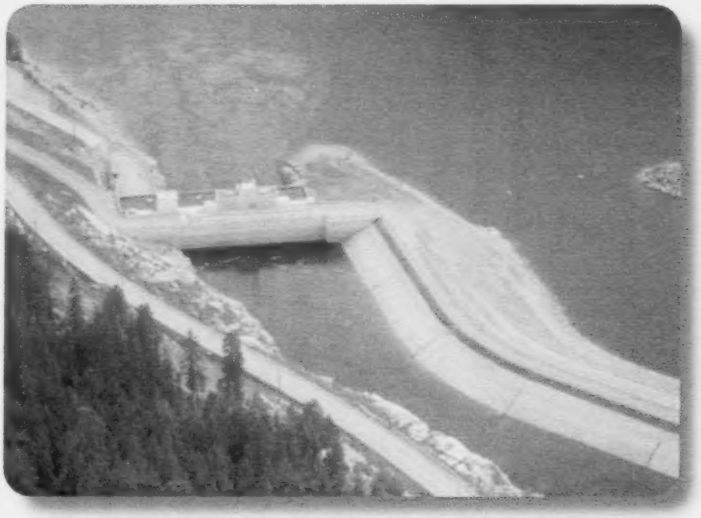
Concrete rehabilitation work began on the Brilliant dam in the spring of 2010. The Brilliant Expansion Generating Station is located immediately downstream of the dam. - Les Stanchuck photo.

185 MW Arrow Lakes Generating Station

The Arrow Lakes Generating Station is a two-unit Kaplan turbine hydroelectric facility with a maximum capacity of 185 megawatts. It is located adjacent to and 400 metres downstream of the pre-existing BC Hydro Hugh Keenleyside Dam, impounding the Arrow Reservoir and discharging into the upper Columbia River. The Arrow Lakes Generating Station and related assets are owned by Arrow Lakes Power Corporation (ALPC), a company jointly owned, on a 50/50 basis, by Columbia Power and CBT Arrow Lakes Power Development Corp., an indirect subsidiary of the Columbia Basin Trust.

The Hugh Keenleyside Dam was constructed in the 1960s by BC Hydro under the terms of the Columbia River Treaty. The dam was built to store and regulate water releases for downstream flood control and power generation benefits in the United States. Construction of the Arrow Lakes Generating Station between 1999–2002 realized power benefits in British Columbia by utilizing water releases for generation that would otherwise be spilled through the dam's discharge facilities. The reduction of spill through utilizing water for power generation has also improved water conditions for fish by reducing the dissolved gas pressure levels downstream. The Arrow Lakes Generating Station is operated and maintained under a management agreement with Fortis Pacific Holdings Inc., a corporation related to FortisBC Inc.

The net income from Arrow Lakes Generating Station, for the year ended March 31, 2010, was $13.7 million compared with $12.7 million the previous year. This results from achieving over 95% availability at the facility and exceeds ALPC's expectations for its annual income target. Facility generation also well exceeded the expected average amounts which provided excellent benefits to the customer of the power, BC Hydro. The commercial agreement with BC Hydro upon which the energy credits to the Arrow Lakes Generating Station are based have not had any need for modification this year and are expected to remain unchanged in the upcoming year. No further changes to the annual energy entitlement are anticipated.



ALPC's sustaining capital expenditures are funded by cash flow from operations. 2009/10 capital projects included upgrades to the intake area of the facility and completing the physical security upgrades that were started in the previous year.

Arrow Lakes Generating Station Operations
Summary Information

($ in thousands unless otherwise stated)

	2009/10	2008/09	2007/08	2006/07	2005/06
Power Sales Revenue	$ 33,207	$ 32,354	$ 32,325	$ 29,548	$ 23,724
Interest Revenue	77	293	513	441	727
Operating Expenses	3,889	3,611	2,718	3,227	2,755
Water Rentals	4,124	4,051	3,604	3,546	3,120
Interest Expense	3,086	3,530	3,957	4,357	4,738
Amortization (includes debt issue)	8,480	8,546	8,644	8,348	7,854
Net Income Before Channel Repairs	13,705	12,909	13,915	10,493	5,984
Channel Repair Costs	-	184	833	6,030	14,722
Recovery of Repair Costs and Losses	-	-	8,583	14,423	5,929
Net Income	13,705	12,725	21,665	18,886	(2,809)
Equity	227,271	226,066	239,841	242,333	225,147
Dividend Payments	12,500	26,500	23,546	1,700	-
Capital Expenditures	330	74	207	3,983	6,481
Long-term Debt	45,551	54,447	62,883	70,882	78,467
Current Portion of Long-term Debt	8,896	8,436	7,999	7,584	7,192
Total Sales (megawatt-hours)	759, 941	762,949	763,078	739,148	613,343
Average Price ($/megawatt-hour)	43.68	42.41	41.17	39.98	38.68
Annual Return on Equity	6.0%	5.6%	9.0%	7.8%	-1.2%
Debt Service Coverage Ratio	2.16	2.12	2.93	2.74	.85

Arrow Lakes Generating Station (right) is immediately downstream of BC Hydro's Hugh Keenleyside Dam

145 MW Brilliant Dam and Generating Station

The Brilliant Dam and Powerplant is a four-unit Francis turbine facility with a combined capacity of 145 megawatts. It is located on the Kootenay River, three kilometres upstream of the confluence with the Columbia River. The dam, powerplant and related assets are owned by Brilliant Power Corporation, which is jointly owned on a 50/50 basis by Columbia Power and CBT Power Corp., an indirect subsidiary of Columbia Basin Trust.

The original 125 megawatt facility was purchased from Cominco Ltd. (now Teck) in 1996. Between 2000–2003, a significant upgrade and life extension program was conducted on the four units, resulting in an additional 20 megawatts of facility capacity, 120 gigawatt hours of additional energy, and modernization of all equipment for long-term reliability.

All of the energy from Brilliant is sold to FortisBC under the terms of the 60-year Brilliant Power Purchase Agreement, except for approximately 60 gigawatt hours of Brilliant Upgrade energy which is currently being sold to Powerex. The Brilliant Dam and Generating Station is operated and maintained by FortisBC on behalf of Brilliant Power Corporation.

The net income from Brilliant Power Corporation, for the year ended March 31, 2010, was $11.1 million compared with $11.3 million the previous year. The capital expenditures during the year were $2.8 million compared with $2.9 million in the previous year. Work continues on a major 50-year refurbishment of the eight spill gates to ensure reliable operation and flood passage. A major project to install additional anchors stabilizing the Brilliant Dam is underway and is scheduled for completion during 2010/11. A project to refurbish the concrete abutments of the dam commenced in the spring of 2010 and is also scheduled for completion in 2010/11, with the expectation that the refurbishment will last another 40 years. Additional capital expenditures totaling over $8 million are planned for the next two years, including the continuation of the concrete rehabilitation program and dam stabilization work.

Brilliant Terminal Station

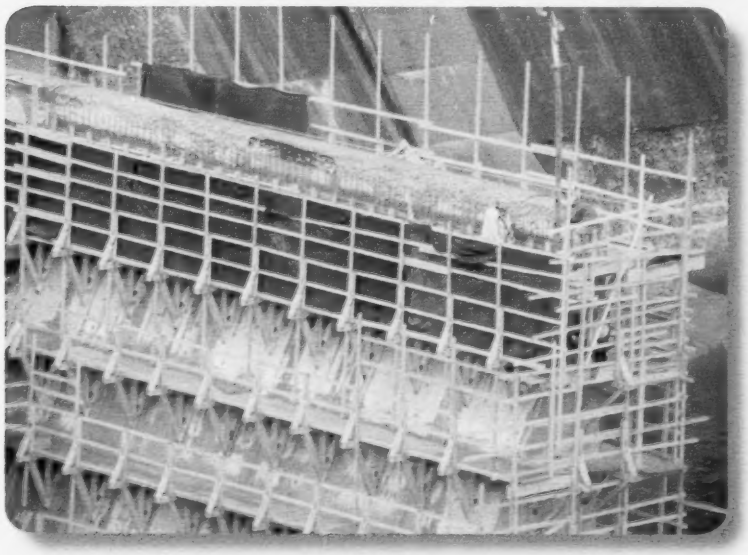
The Brilliant Terminal Station (BTS) is a 230 kilovolt switchyard which interconnects the Arrow Lakes Generating Station, Brilliant Expansion and Brilliant Dam and Generating Station to the integrated BC transmission system, including the British Columbia Transmission Corporation's Selkirk Substation, BC Hydro's Kootenay Canal, and FortisBC's Warfield Substation. BTS is the electrical hub of the existing powerplants. It is owned by Brilliant Power Corporation and earns revenue under the same terms as the Brilliant Power Purchase Agreement. It is operated and maintained by FortisBC under separate agreement. Columbia Power jointly manages the BTS with FortisBC through a management committee.

For the upcoming fiscal year, involvement in any new equipment and reporting requirements from the Mandatory Reliability Standards legislation will be a key focus for the substation.

Brilliant Dam and Generating Station Operations
Summary Information

($ in thousands unless otherwise stated)

	2009/10	2008/09	2007/08	2006/07	2005/06
Power Sales Revenue	$ 34,552	$ 33,696	$ 33,908	$ 33,076	$ 33,219
Brilliant Terminal Station Revenue	3,130	3,073	3,073	3,052	2,937
Interest Revenue	59	449	582	634	429
Operating Expenses	2,778	2,412	2,436	2,576	2,643
Taxes and Water Rentals	7,381	6,832	7,139	6,955	7,012
Interest Expense	11,267	11,535	11,853	12,114	12,363
Amortization	5,191	5,111	5,034	4,888	4,845
Net Income	11,124	11,328	11,101	10,229	9,722
Equity	76,330	74,306	73,577	67,693	68,993
Dividends	9,100	10,600	10,700	11,600	9,200
Capital Expenditures	2,868	2,918	2,313	1,101	1,851
Long-term Debt	140,807	145,473	149,811	153,845	157,597
Current Portion of Long-term Debt	4,666	4,338	4,034	3,752	3,491
Total Sales (megawatt-hours)	982,095	979,875	974,717	980,431	989,538
Average Price ($/megawatt-hour)	35.26	34.39	34.79	33.74	33.57
Annual Return on Equity	14.6%	15.3%	15.1%	15.0%	14.3%
Debt Service Coverage Ratio	1.76	1.78	1.78	1.75	1.72



A close-up view of the concrete rehabilitation work at the Brilliant dam, spring 2010.

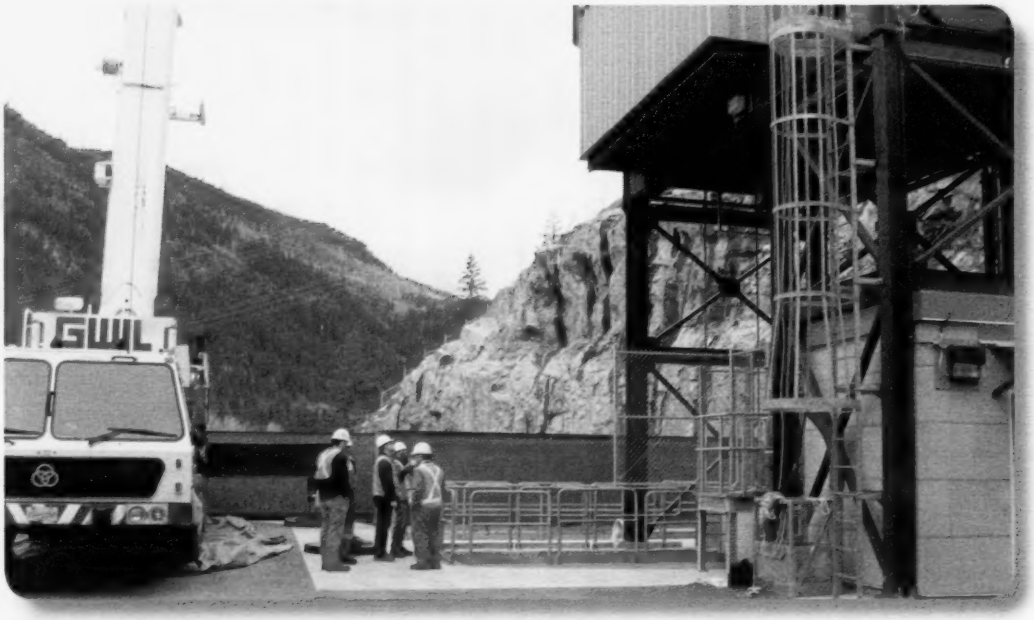
120 MW Brilliant Expansion Generating Station

The Brilliant Expansion Generating Station (Brilliant Expansion) is a single unit, 120 megawatt Kaplan turbine facility located on the Kootenay River adjacent to and 160 metres downstream of the pre-existing Brilliant Dam and Generating Station. The facility is connected to Brilliant Terminal Station (BTS), located approximately 0.5 km away via a 230 kilovolt transmission line.

The Brilliant Expansion and related assets are owned by Brilliant Expansion Power Corporation, a company jointly owned, on a 50 / 50 basis, by Columbia Power and CBT Brilliant Expansion Power Corp., an indirect subsidiary of Columbia Basin Trust. Brilliant Expansion began commercial operation in September 2007. Approximately 90% of the Brilliant Expansion energy and capacity is sold under two long-term agreements to BC Hydro. Operation and maintenance of the Brilliant Expansion is conducted under contract to Fortis Pacific Holdings Inc., a corporation related to FortisBC Inc.

Brilliant Expansion net income for the fiscal year ended March 31, 2010 was $17.2 million compared with $13.8 million the previous year. With one year remaining on equipment warranties, a number of tests and inspections were planned and executed during the Annual Planned Outage in the spring of 2010 to identify any issues with the equipment before the warranty expires.

Major projects in 2009/10 included repairs to the power transformer and completing the public safety upgrade projects.

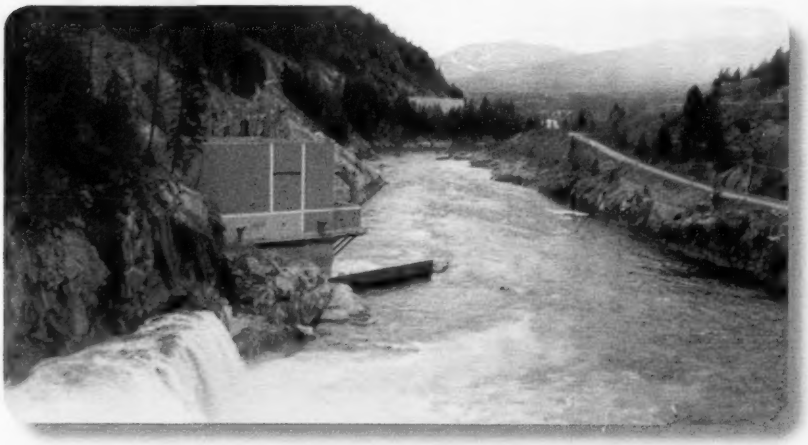


Workers prepare for the intake gate emergency close test that was successfully completed at the Brilliant Expansion in spring 2010.

Brilliant Expansion Generating Station Operations Summary Information

($ in thousands unless otherwise stated)

	2009/10	2008/09	2007/08
Power Sales Revenue	$ 26,282	$ 21,103	$ 11,199
Eco Energy Grant	4,220	4,832	-
Interest and US Exchange Gain	24	1,310	294
Purchase of Power	2,075	2,805	2,637
Operating Expenses	4,056	4,979	2,808
US Exchange Loss	347	-	-
Water Rentals	1,732	386	258
Interest Expense	197	554	301
Amortization	4,940	4,766	2,645
Net Income	17,179	13,756	2,766
Equity	235,227	238,248	234,292
Dividend Payments	9,200	-	-
Capital Expenditures	1,136	17,507	23,158
Long-term Debt	-	-	-
Current Portion of Long-Term Debt	-	-	-
Total Sales (megawatt-hours)	482,228	404,089	186,729
Average Price ($/megawatt-hour)	57.37	53.09	64.66
Annual Return on Equity	7.3%	5.8%	1.2%
Debt Service Coverage Ratio	n/a	n/a	n/a



The sheet pile wall, constructed in 2008 to divert flows from the Brilliant dam away from the Brilliant Expansion tailrace, is visible in this photo taken from the roadway across the Brilliant dam.

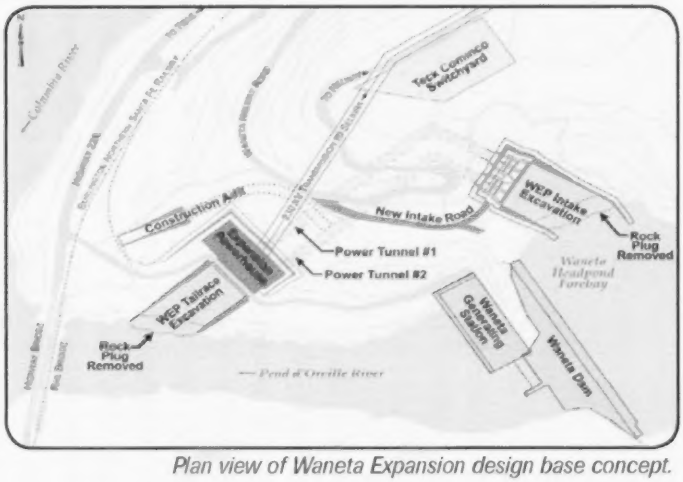
Waneta Hydroelectric Expansion Project

The Waneta Expansion is a project to construct a second powerhouse adjacent to the Waneta Dam on the Pend d'Oreille River south of Trail, BC. The expansion project will share the dam's hydraulic head and make use of water flows that would otherwise be spilled. The rights to use this hydraulic head, as well as the land necessary to build the expansion project, were acquired by Columbia Power from Cominco Ltd. (now Teck) in 1994. These rights are now held by Waneta Expansion Power Corporation, the company formed jointly by Columbia Power and Columbia Basin Trust to develop, construct and operate the project.

The base concept for the Waneta Expansion has been structured to avoid potential environmental impacts on white sturgeon habitat in the Columbia/Pend d'Oreille confluence area. Water will be conveyed through two large-diameter tunnels from the Waneta forebay into a two-unit powerhouse to be built ☒n the dry" on the right bank of the Pend d'Oreille River, between the Waneta Dam and Highway 22A. Output from the units will be stepped up to 230 kilovolts and connected through powerhouse switching equipment to a new 10 kilometre transmission line that will join the project to the Selkirk Substation.

The addition of up to 335 megawatts of capacity at Waneta will achieve balance with upstream generation at the Seven Mile Dam (BC Hydro) and the Boundary Dam (Seattle City Light). This hydraulic balance will allow flows released from the Boundary Dam to travel the Canadian section of the Pend d'Oreille River without the need for reservoir re-regulation to avoid spill. Minimizing re-regulation will increase the productivity of reservoir aquatic habitat. In addition, diverting otherwise unavoidable spill through the Waneta Expansion will reduce harmful dissolved gas supersaturation in waters below the Waneta Dam and down the Columbia River into the United States.

In May 2009, the Partners announced that SNC-Lavalin was the preferred proponent for the design and construction of the Waneta Expansion Project. Then, in November 2009, the Partners announced that the project, as currently structured, would not be moving forward. Currently, other avenues and potential partners are being sought to increase the viability of the project.



Plan view of Waneta Expansion design base concept.

REPORT ON PERFORMANCE

Columbia Power Corporation's mandate, which was established by agreements between the Province and Columbia Basin Trust, drives Columbia Power Corporation's line of business (see the sequential business model in Figure 3). Projects move through the planning, construction and operations phases, with Columbia Power providing overall management. The organization's values are applied in setting goals and objectives and conducting business activities. Performance measures are the scorecards for measuring the achievement of Columbia Power's vision.

Figure 4 illustrates how Columbia Power's mandate, vision and values are linked to its business model and performance. Columbia Power's performance measurement framework, current year results and future targets are more fully described in Appendix A which is accessible on the company web site at: www.columbiapower.org/pdf/company/CPC_Service%20_Plan_2011-2013_Appendix_A_FINAL.pdf

Performance Plan Summary

Columbia Power Corporation achieved mixed results relative to its 2009/10 performance targets. The following objectives were realized:

- Achieved reliable plant operations for the Brilliant Generating Station, Brilliant Expansion and Arrow Lakes Generating Station, confirmed by strong energy entitlement ratios. The plant operations and the future direction for operations performance measures are further discussed in Appendix B: www.columbiapower.org/media/documents/CPC_ServicePlan_2010_AppendixB.pdf;
- Maintained investment grade bond ratings and a capital structure that will allow further bond issues as required for project investment;
- Achieved a return on equity greater than planned for the period;
- The Arrow Lakes Generating Station and the Brilliant Expansion had lower than targeted operation, maintenance and administration (OMA) unit costs.
- The need to examine alternative sales and partnership structures resulted in development costs exceeding the budget.

Performance Measures Framework

Columbia Power Corporation's performance measures framework follows the *Budget Transparency and Accountability Act* requirements for performance measures, benchmarks and targets linked to specific goals, objectives and strategies. The framework also reflects Columbia Power's dual functions as a development company and an operating company. The framework provides broad goals and underlying objectives, aligns specific corporate strategies to each objective, incorporates ongoing research regarding suitable benchmarks and targets, and comments on the significance of results.

Given Columbia Power's role as joint venture manager and the extent to which it contracts out, finding suitable industry benchmarks remains a challenge, as the industry is largely dominated by vertically integrated regulated utilities. These challenges are described more fully in Appendix A.

Columbia Power believes the performance measures used highlight the most crucial aspects of its performance, but are also subject to refinement and evolution as the organization matures (see Appendix B.)

Source of Data and Reliability

Columbia Power believes its performance measures are reliable and valid. Although current and historical performance measures are not audited, they are derived largely from audited information, information subject to third-party verification and information independently provided.

A number of Columbia Power's performance targets are based on forecasts of future events. They were estimated using assumptions that reflect Columbia Power's planned courses of action and judgments as to the most probable set of economic conditions. Because of the nature of forecasting future events, users of this information are cautioned that actual results may vary from the information presented.

(left and below) - Sheila Street, Columbia Power's Manager, Environmental Support, releases a juvenile sturgeon into the Columbia River during a sturgeon release event in April 2010.

(left) - Bighorn sheep visit the reclamation area at the Arrow Lakes Generating Station. Columbia Power has completed extensive rehabilitation work at the reclamation site to make the area attractive to birds and wildlife.

Figure 3: Performance Plan Summary

Figure 4: Performance Measures at a Glance

	Benchmark	2009/10 Actual	2009/10 Target	Achievement	Significance
1.1 Variance in project development time	On Schedule (no negative variance from schedule)	WAX still under decision	WAX proceeding to final Go/No Go decision	✗	Delayed progress toward WAX project final decision
2.1 Variance from project budgets	On Budget (no negative variance from budget)	WAX development costs exceeded budget	WAX on budget	✗	Delayed progress results in additional cost
3.1 Plant availability	>95%	ALGS: >95% BRD: >95% BRX: >95%	ALGS: >95% BRD: >95% BRX: >92%	✓	Power plants operated reliably in 2009/10
4.1 Bond rating	Investment grade bond ratings	Maintained ratings for all bonds	Maintain investment grade ratings for all bonds	✓	Maintain low cost of debt
4.2 Debt service coverage ratio	Greater than or equal to 1.3	ALGS: 2.2 BRD: 1.8	ALGS: 2.3 BRD: 1.7	ALGS: ✗ BRD: ✓	Maintain low cost of debt
4.3 Capital structure	CEA composite measure for 2005 = 76:24	22:78	22:78	✓	Future borrowing potential maintained
5.1 Return on equity	Over the life of the project comparable to regulated utilities	5.4%	5.2%	✓	Return on equity above target due to BRX revenue
6.1 OMA unit cost for assets in service	1st Quartile: See Benchmarking Appendix B	ALGS: $4.54 BRD: $2.38 BRX: $8.60	ALGS: $5.26 BRD: $2.26 BRX: $9.86	ALGS: ✓ BRD: ✗ BRX: ✓	ALPC and BRX: Operations, maintenance and admin costs lower than target
7.1 Environmental compliance	Baseline information to be developed	Zero material non-compliance notices	Zero material non-compliance notices	✓	Manage in accordance with environmental values

ALGS - Arrow Lakes Generating Station; BRD - Brilliant Dam; BRX - Brilliant Expansion; BTS - Brilliant Terminal Station;
CEA - Canadian Electricity Association; OMA - operations, maintenance and administration

ALIGNMENT WITH SHAREHOLDER'S LETTER OF EXPECTATIONS

On an annual basis, Columbia Power receives a *Shareholder's Letter of Expectations* (the "Letter") from the Provincial government (the "Shareholder.") The letter directs Columbia Power to conduct its affairs to achieve the objectives of the Shareholder in a manner consistent with the Shareholder's general and specific directions. The Shareholder's general directions include that CPC achieve its mandate consistent with the principles of integrity, efficiency, effectiveness and accountability, and conduct its operations and financial activities in a manner consistent with the legislative, regulatory and policy framework established by government.

In January 2009, the Honorable Richard Neufeld, former Minister of Energy, Mines and Petroleum Resources, signed the Shareholder's Letter of Expectations, which outlined the expectations of CPC and the primary responsibilities of the corporation for 2009. The expectations and CPC's alignment is summarized in the table below.

A copy of the current Shareholder's Letter of Expectations is available for viewing on our web site at: www.columbiapower.org/media/documents/Shareholder_Letter_of_Expectations.pdf

Shareholder's Letter of Expectations	CPC Alignment
Climate Change	
Contribute to the BC Provincial Government's climate action objectives and comply with requirement for Crown agencies to achieve carbon neutrality by 2010.	CPC has made strides toward carbon neutrality and is now using 100% post consumer paper for all copy and print paper. The vehicle fleet is nearly optimized with the replacement of one truck with a more energy efficient model. Seventy-seven percent of all CPC staff are trained in Climate Change and the CPC Carbon Neutral Plan.
Waneta Expansion	
Develop and bring forward by March 31, 2009, for consideration and review by the Shareholder, an update on the status of the Waneta Expansion Project.	CPC provided an update on the Waneta Expansion to the project board on March 24, 2009. The update reported on the status of the selection of a preferred proponent to design/build the project and the development of a financing plan.
Columbia Basin Trust	
Continue to work with Columbia Basin Trust to increase efficiency and reduce the cost of power development and management activities.	CPC and Columbia Basin Trust are jointly located in Castlegar, and have incorporated the sharing of information technology and reception services.
Energy Policy	
Ensure self-sufficiency to meet electricity needs, including ☒nsurance." All new electricity generation projects will have zero net greenhouse gas emissions.	Long term power sales agreements contribute to meeting BC's electricity needs. The proposed Waneta Expansion, if approved, would further contribute to meeting BC's self-sufficiency in electricity requirements. The Brilliant Upgrades, Arrow Lakes Generating Station, Brilliant Expansion and the proposed Waneta Expansion are all hydroelectric projects and have zero net greenhouse gas emissions.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

Net income earned by Columbia Power Corporation in 2009/10 was $19.8 million, compared with planned net income for the year of $18.1 million and net income of $18.3 million in the previous year. Net income of Columbia Power includes the consolidated 50% share of the net income of Arrow Lakes Power Corporation, Brilliant Expansion Power Corporation and Brilliant Power Corporation. Revenues were not significantly affected by foreign exchange volatility or by fluctuations in electricity markets, as most power sales are under long-term contracts in Canadian dollars.

Arrow Lakes Power Corporation recorded net income of $13.7 million in 2009/10 compared to planned income of $12.5 million and net income of $12.7 million in 2008/09. The increase was due to increasing power sales revenue as a result of the annual escalation in the power sales agreement. Interest expense also decreased.

Brilliant Expansion Power Corporation recorded net income of $17.2 million in 2009/10 compared to planned net income of $13.4 million and $13.8 million net income in 2008/09. Revenue was $2.3 million higher than forecast due to advancing the commencement of a power sales agreement with BC Hydro by six months. Operating costs for the Brilliant Expansion were about $1.5 million less than forecast.

Brilliant Power Corporation recorded net income of $11.1 million in 2009/10 compared to planned income of $12.3 million and net income of $11.3 million in 2008/09. The decrease compared to the prior year is primarily due to lower market sales revenues, lower interest revenues and higher operating costs offset partially by higher revenue from long term sales and reduced interest expense during the year. Brilliant Terminal Station revenues of $3.1 million were in line with the prior year and forecasts and are included in Brilliant Power Corporation's financial results.

The debt service coverage ratio for Brilliant Power Corporation decreased slightly from the prior year while the debt service coverage ratio for Arrow Lakes Power Corporation increased as a result of higher net income. The investment grade bond ratings for the two corporations were maintained. Brilliant Expansion Power Corporation has no long term debt and therefore no debt service coverage ratio.

During 2009/10, CPC's return on equity was 5.4% compared with the planned return of 5.2% for the year and actual performance of 5.3% in the previous year. This reflected the improved operating income arising from increasing net income from the Brilliant Expansion.

Financing Activities

Investing activities were funded from Columbia Power's cash reserves and cash from operations. The use of internal sources of cash had a positive impact on financing costs. Columbia Power will declare a dividend of $2 million for 2009/10, payable to the Province of British Columbia, the same amount as in the previous year.

Investing Activities

Capital spending during the year was $6.9 million, compared with planned expenditures of $8.5 million for the year and expenditures of $16.2 million in the previous year. Almost all of these funds were invested in power projects undertaken jointly with the Columbia Basin Trust, and they represent CPC's 50% portion of joint venture capital spending. The major component of the capital expenditures was the Waneta

Expansion development activities. Columbia Power used distributions from the power projects to pay for corporate asset additions.

Power Sales Activities

For Columbia Power, a high priority in 2009/10 was to secure markets for Waneta Expansion power and capacity.

The sale of generation from the Arrow Lakes Generating Station is fully subscribed under a long-term sales agreement with BC Hydro, which expires in 2015.

Under a 60-year power purchase agreement, 94% of the power from the Brilliant Dam is sold to FortisBC. The remainder was sold on a market basis to Brilliant Expansion Power Corporation.

Brilliant Expansion Power Corporation sells its power to BC Hydro under the 2002/03 Green Power Generation Electricity Purchase Agreement and under a 2006 Electricity Purchase Agreement which commenced in 2009/10. Brilliant Expansion power not sold to BC Hydro in 2009/10 is sold on a short-term basis to Powerex Ltd.

Columbia Power is a Western System Power Pool member.

Liquidity and Sources of Capital

Future operational cash is earmarked to fund sustaining capital for operating plants and, subject to the dividend requirements of the Province and the Columbia Basin Trust, to provide equity for the Waneta Expansion.

Columbia Power has access to the Province's fiscal agency loan program. Subject to the creditworthiness of future power sales contracts, considerable long-term and short-term borrowing capacity is also available from the existing power projects to finance the Waneta Expansion and other projects.

Critical Accounting Estimates

Disclosure of CPC's critical accounting policies is contained in Note 2 to the consolidated financial statements. Preparing financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Columbia Power's investments in power projects operate primarily under long-term contracts in Canadian dollars with high credit-rated counterparties; and receive power entitlements in exchange for actual electrical power generation, thereby significantly reducing annual hydrology risk. As a result, Columbia Power believes it is not exposed to the same number of critical accounting estimates that may be required of management of other independent power producers with hydroelectric operations of comparable size. Columbia Power's amounts recorded for amortization are based on estimates of economic service life. By their nature, these estimates are subject to measurement uncertainty. Changes to these estimates may impact the consolidated financial statements of future periods.

Changes in Accounting Policies

Effective April 1, 2009, CPC adopted a new accounting standard for goodwill and intangible assets. This standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets. The adoption of this new section resulted in the reclassification of the power sales right from Other Assets to Intangibles and had no impact on earnings.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed the decision and timeline to adopt globally accepted accounting standards by converging Canadian GAAP with IFRS for publicly accountable enterprises. In December 2009, the Public Sector Accounting Board (PSAB) amended the introduction to the Public Sector Accounting Handbook confirming that government business enterprises are directed to adhere to standards for publicly accountable enterprises in the private sector as determined by the AcSB. The AcSB confirmed that the date for the first full set of IFRS financial statements will be for fiscal years beginning on or after January 1, 2011, with comparative figures for the prior year.

CPC has engaged an external advisor and assembled a core project team to assess and evaluate IFRS. Regular reporting is provided to the Audit Committee and Board of Directors. Identification of potential differences between IFRS and existing GAAP, as well as detailed assessment of those expected differences has been reviewed. CPC will continue with the processes necessary to be prepared to comply with PSAB directions.

Capacity, Outlook and Risks

The key strategic issues facing Columbia Power Corporation include:

- Obtaining federal and provincial approvals, permits and licenses to develop and operate power projects on international rivers within a complex environmental regulatory system, which includes federal and provincial regulators, an international treaty and local, regional, United States and First Nations stakeholders.

- Developing regional support for the joint venture power projects through consultation with local and regional community stakeholders, negotiating land issues with owners and addressing First Nations issues related to the power projects.

- Securing power sales contracts for the Waneta Expansion in a domestic market where there is one dominant wholesale buyer.

- The Canadian dollar has strengthened and the weak US economy has reduced market prices. Construction costs have also retreated and appear to have stabilized.

- Implementing a plan to finance the construction of the Waneta Expansion, managing the uncertainty of future interest rates (thus the cost of debt financing), and determining the appropriate capital structure for the joint ventures.

- Developing human resource and compensation strategies to ensure appropriate succession planning, recruitment and staff retention for CPC in a labour market that is expected to become increasingly competitive due in part to an aging population. Since the closure of the Victoria office in December 2007, CPC faces additional challenges attracting senior staff to a rural area.

CPC has a mandate to develop and operate powerplants at existing dams on the Columbia, Kootenay and Pend d'Oreille Rivers using water that would otherwise be spilled. The three "core" power projects (Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion) have relatively low capacity utilization factors and rely primarily on spring run-off water and upstream flow regulation. While these new power projects create significant net environmental benefits in the form of greenhouse gas offsets and reduced dissolved gases harmful to fish, it can be difficult to translate these benefits (particularly benefits to fish) into higher power prices. The joint venture power projects operate in a domestic power market where there is a single dominant wholesale purchaser and constrained long-term firm transmission capacity to adjacent power markets in Alberta and the U. S. Pacific Northwest. Accordingly, CPC, as joint venture manager, must be efficient and innovative to achieve its goals and objectives. The expertise of CPC staff and their relationships with private-sector engineering, environmental, financial and legal advisors are critical to the success of CPC.

The Brilliant Dam and Generating Station, Brilliant Terminal Station, and the Arrow Lakes Generating Station are operated and maintained by FortisBC or its related company under long-term service agreements. The Brilliant Expansion is operated and maintained under a shorter term service agreement with FortisBC's related company.

CPC develops and operates the joint venture power projects using limited-recourse project debt without a provincial debt guarantee. Like independent power producers, the power project joint venture companies sell into the wholesale power market, primarily under long-term purchase agreements with regulated

utilities. Most of the power from the Brilliant Dam is sold to FortisBC under a 60-year purchase agreement that expires in 2056. This agreement provides for approved capital and operating costs, including reasonable increases in those costs over the term of the agreement, to be passed through to FortisBC with approved capital expenditures earning a pre-determined rate of return on equity. There is also a provision for market-based price adjustments beginning in the 20th year of the agreement. Power from the Arrow Lakes Generating Station is sold to BC Hydro under a 12-year purchase agreement that expires in 2015, and about 95% of the power from the Brilliant Expansion is sold to BC Hydro under two 20-year purchase agreements that expire in 2027 and 2030. These agreements have provisions for the contract price to escalate.

CPC's net income and return on equity will continue to increase as recently completed projects generate power and revenue for a full 12 months. Factors that could affect the future rate of return include: power market developments, interest and exchange rate movements, payments to government, and access to transmission systems. The *BC Energy Plan: A Vision for Clean Energy Leadership,* released in February 2007 supports the development of CPC's projects by requiring self sufficiency by 2016, ensuring adequate transmission system capacity, improving the procurement process for electricity and promoting clean or renewable energy.

Future dividends will be determined based on annual cash earnings, working capital requirements, reserves for future capital replacement, and new power project investment opportunities. At the Brilliant Dam and Generating Station, the Terminal Station and the Arrow Lakes Generating Station, prices are fixed by long-term contracts and are not affected by changes in power markets. Entitlement agreements with BC Hydro provide firm amounts of power regardless of actual water flows, thereby reducing annual hydrology risk. Interest costs for projects in operation are fixed through the issuance of long-term bonds. At the Brilliant Dam and Generating Station, earnings stability is further enhanced by the cost-of-service nature of the power sales agreement with FortisBC. Although the power sales agreement with BC Hydro for the Arrow Lakes Generating Station does not have this feature, the plant is relatively new and operating costs are low relative to revenues, as is typical in a hydroelectric generating facility.

With approximately 95% of the Brilliant Expansion plant output sold under two long-term contracts with BC Hydro, Brilliant Expansion Power Corporation's remaining output is sold on a short-term market basis.

The following table presents an analysis of the primary risks that CPC faced and the strategies implemented during 2009/10 to address these risks.

Risk Management by Columbia Power Corporation (CPC) in 2009/10

Risk	Issue/Impact	Results During 2009/10
Waneta Expansion Construction Decision	Construction of Waneta Expansion is subject to: design-build contract, entitlement negotiations, power marketing and long-term borrowing costs. Each could affect project timing, cost, scale and viability.	The selection of a preferred contractor occurred in May 2009. In November 2009, the restructuring of the Waneta Expansion was announced to look at other avenues and potential partners to move the project forward. CPC pursued power/capacity sales and a new partnership arrangement pursuant to the WAX project restructuring.
Waneta Expansion Entitlement / Canal Plant Agreement Renegotiations	The renewed and extended Canal Plant Agreement between BC Hydro, CPC, FortisBC Inc. and Teck, which came into effect in April 2006, provides for the Waneta Expansion. The Agreement runs until at least December 31, 2035.	Negotiations with BC Hydro continued through 2009/10 for an entitlement agreement for the Waneta Expansion, which may entail amendments to the Canal Plant Agreement.
Availability of Funds	Further leveraging of the joint venture power assets is required for completion of the Waneta Expansion and future projects. Key project agreements are structured to achieve financeable projects with a high credit rating.	During 2009, CPC/CBT worked on determining the optimum solution for financing the Waneta Expansion, if the restructured project proceeds with another partner.
Interest Rate Risk	Higher interest rates could negatively impact the cost of new project debt, project net income and the economics and ability to finance the Waneta Expansion. A percentage point interest rate rise could reduce annual net income by up to $7 million.	During 2009/10, CPC/CBT continued to pursue debt management strategies and use interest rate hedges to manage risk to acceptable levels, as appropriate. The Owners retained a Financial Advisor to develop a financing plan for Waneta Expansion and provide a recommendation on the optimum capital structure for the CPC/CBT power projects.
Counter-party Credit Risks	Bond ratings and interest costs for project debt are affected by the creditworthiness of the buyer.	CPC's marketing efforts were directed at selling power to purchasers with high credit ratings and entering backstop arrangements as appropriate.

Risk Management by Columbia Power Corporation (CPC) in 2009/10 (continued)

Risk	Issue/Impact	Results During 2009/10
Brilliant Expansion Power Marketing	Ninety-five percent of the Brilliant Expansion output has been sold to BC Hydro under two 20-year contracts, the second of which commenced in February 2010. A short-term sales agreement has been negotiated with Powerex at market prices for the remaining energy.	BEPC advanced commencement of the second BC Hydro contract by six months to realize higher prices than achievable through market sales.
Plant Reliability	Plant outage risk for the Brilliant facility is transferred to FortisBC Inc. as the power purchaser/plant operator. If the Brilliant Expansion and Arrow Lakes Generating Station plant outage factor were to increase by 1 percentage point, revenues and net income would decline by $650,000 in 2009/10.	Machinery and equipment at BRX have a year remaining on manufacturer warranties. All power projects also carry business interruption, property and liability insurance. Optimal plant operations and maintenance is overseen by CPC.
Transmission and Market Access	Columbia Power / Columbia Basin Trust power projects are located in a region with limited long-term firm transmission capacity to access adjacent markets in Alberta and the U.S.	Columbia Power monitors and participates in BC Utilities Commission hearings that deal with potential transmission expansion. Columbia Power also pursues sales contract opportunities, with delivery at Columbia Power / Columbia Basin Trust points of interconnection.
Regulatory Risk	Columbia Power / Columbia Basin Trust power projects are subject to regulatory risk due to a changing regulatory environment. Fisheries and Oceans Canada is considering many changes which may be applied retroactively to hydroelectric assets.	CPC monitors and participates in the regulatory proceedings of BC Hydro, British Columbia Transmission Corporation and FortisBC Inc. and others as needed to ensure joint venture interests are appropriately addressed. CPC is involved in industry association and policy groups to proactively manage regulatory risks such as Fisheries Act, Species at Risk legislation and dam safety.

Risk Management by Columbia Power Corporation (CPC) in 2009/10 (continued)

Risk	Issue/Impact	Results During 2009/10
Property Taxation	Taxing the Waneta Expansion at current property tax rates would reduce annual project net income by about $4 million.	Columbia Power has previously obtained Orders in Council exempting Arrow Lakes Generating Station and the Brilliant Expansion from property tax but instead pays grants-in-lieu of tax.
Water Use Planning and Columbia River Treaty Operations Risk	Constraints imposed by BC Hydro water use planning and changes in upstream flow regulation associated with the Columbia River Treaty could adversely affect powerplant operations and project revenues, unless Columbia Power / Columbia Basin Trust are saved harmless.	Columbia Power monitors changes to water use planning initiatives.
Foreign Exchange Risk	A 1¢ change in the Canadian dollar relative to the U.S. dollar represents about $43,000 per year for the Brilliant Expansion power entitlement currently sold to Powerex.	Sales to BC Hydro and FortisBC Inc. are in Canadian dollars. Sales to Powerex are in US dollars. About 79 GWh of sales through Brilliant Expansion are subject to this risk. The second contract with BC Hydro for Brilliant Expansion was advanced by six months and reduced this risk as the contract is in Canadian dollars. The risk for WAX may be mitigated if CPC secures a long-term power sales agreement with a domestic purchaser.
Attracting and Maintaining Key Staff	CPC requires the organizational capacity to effectively manage all existing and new facilities. If CPC's mandate to develop projects extends beyond the Waneta Expansion, it will need organizational capacity to identify and develop projects.	CPC developed Human Resource strategies and compensation plans to keep and attract key staff to its head office in Castlegar.

Five-Year Comparative Data

($ in thousands unless otherwise stated)

	2009/10	2008/09	2007/08	2006/07	2005/06
Power Sales	$ 49,659	$ 46,127	$ 38,896	$ 31,312	$ 28,438
Interest and Other Earnings	1,907	3,391	2,906	3,732	3,247
Net Income	19,786	18,335	15,876	14,794	3,138
Dividend Payments	2,000	2,000	2,000	2,000	2,000
Capital Assets and Deferred Costs	362,744	364,131	388,554	381,279	377,311
Long-term Debt (includes current portion)	99,961	106,348	112,363	118,031	123,374
Equity	367,020	347,234	330,899	317,350	304,557
Capital and Deferred Spending	$ 6,900	$ 16,190	$ 15,226	$ 10,426	$ 17,343
Debt-to-Equity Ratio	22:78	27:73	28:72	26:74	29:71

Consolidated Statement of Income Forecast

FOR THE YEAR ENDED MARCH 31

($ in thousands)

	2010/11	2011/12	2012/13
REVENUES			
Sale of Power	$ 51,037	$ 52,348	$ 53,733
Interest and Other Charges	1,895	1,812	1,731
	52,932	54,160	55,464
EXPENSES			
Amortization	9,632	9,700	9,756
Taxes and Water Rentals	7,463	7,612	7,765
Operations and Other	7,675	7,725	8,315
	24,769	25,036	25,836
INCOME FROM OPERATIONS	28,163	29,123	29,628
FINANCE CHARGES	7,676	7,183	6,640
NET INCOME	$ 20,485	$ 21,939	$ 22,986

Notes:

1. Revenues and expenses in the consolidated statement of income represent Columbia Power Corporation's 50 percent share of joint venture revenues and expenses.
2. The above financial information, including forecast information, was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP).

C O L U M B I A P O W E R C O R P O R A T I O N

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

Table of Contents

Statement of Management Responsibility	40
Auditor's Report	41
Consolidated Balance Sheet	42
Consolidated Statement of Income	44
Consolidated Statement of Retained Earnings	45
Consolidated Statement of Cash Flows	46
Notes to the Consolidated Financial Statements	47

COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

Statement of Management Responsibility

The consolidated financial statements of Columbia Power Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles and fairly present Columbia Power Corporation's consolidated financial position and results of operations. The integrity of the information presented in the consolidated financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management.

Management is responsible for establishing and maintaining appropriate systems of internal control (which includes policies and procedures) to provide reasonable assurance that Columbia Power Corporation's assets are safeguarded and that reliable financial records are maintained.

The Auditor General of British Columbia has been appointed by the Board of Directors to audit the consolidated financial statements. The report of the Auditor General of British Columbia is attached, outlining the scope of his examination and providing his opinion on the consolidated financial statements.

Gerry Duffy
Special Advisor to the Board

David De Git
Director, Finance

May 19, 2010

Report of the Auditor General of British Columbia

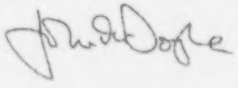
To the Board of Directors of
Columbia Power Corporation and

To the Minister of Energy, Mines and Petroleum Resources,
Province of British Columbia

I have audited the consolidated balance sheet of *Columbia Power Corporation* as at March 31, 2010 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of *Columbia Power Corporation* as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Victoria, British Columbia
June 16, 2010

John Doyle, MBA, CA
Auditor General

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2010
(in thousands)

	2010	2009
ASSETS		
Current assets		
Cash and temporary investments (Note 4)	$ 44,008	$ 30,879
Accounts receivable and unbilled revenue (Note 5)	8,446	10,590
Prepaid expenses and deposits	2,251	2,132
	54,705	43,601
Capital assets (Note 6)	343,660	349,349
Intangibles		
Expansion rights (Note 7)	25,082	25,408
Power sales right (Note 8)	5,028	5,984
	30,110	31,392
Other assets		
Due from joint venture partner (Note 9)	16,252	15,268
Deferred costs (Note 10)	19,084	14,782
Restricted cash (Note 4)	6,559	6,560
	41,895	36,610
	$ 470,370	$ 460,952

The accompanying notes are an integral part of the financial statements.

APPROVED ON BEHALF OF THE BOARD:

Lillian White

Director

Director

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2010
(in thousands)

	2010	2009
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,303	$ 4,285
Dividend payable	-	2,000
Interest payable on long term bonds	2,467	2,610
Current portion of long term bonds (Note 11)	6,781	6,387
Due to related parties (Note 21)	165	219
	11,716	15,501
Deferred revenue	471	595
Long term bonds (Note 11)		
Project bonds	93,180	99,961
Financing costs	(2,017)	(2,339)
	91,163	97,622
Equity		
Share capital (Note 13)		
Contributed surplus (Note 14)	276,065	276,065
Retained earnings	90,955	71,169
	367,020	347,234
	$ 470,370	$ 460,952

Commitments *(Note 16)*
Contingencies *(Note 17)*

The accompanying notes are an integral part of the financial statements.

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31, 2010
(in thousands)

	2010/09	2009/08
REVENUES		
Sale of power	$ 45,984	$ 42,174
EcoEnergy grant	2,110	2,416
Transmission facility revenue	1,565	1,537
Interest and US $ exchange gain	264	2,096
Management fee	1,643	1,295
	51,566	49,518
EXPENSES		
Water rentals	5,545	4,592
Amortization of capital assets in service	8,287	7,933
Amortization of rights	1,280	1,288
Property tax	1,074	1,042
Operations and maintenance	2,531	2,820
Administration and management	4,208	4,004
Insurance	603	587
Community sponsorship	82	85
Grants-in-Lieu (Note 18)	461	474
US $ exchange loss	174	-
Expensed development costs (Note 10)	37	10
Restructuring costs	-	251
	24,282	23,101
INCOME FROM OPERATIONS	27,284	26,417
FINANCE CHARGES		
Interest expense	7,177	7,659
Amortization of deferred debt issue costs	321	331
	7,498	7,990
NET INCOME BEFORE CHANNEL REPAIR COSTS	19,786	18,427
CHANNEL REPAIR COSTS	-	(92)
NET INCOME FOR THE YEAR	$ 19,786	$ 18,335

The accompanying notes are an integral part of the financial statements.

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31, 2010
(in thousands)

		2010	2009
RETAINED EARNINGS - beginning of year		$ 71,169	$ 54,834
Add:	Net income	19,786	18,335
Deduct:	Dividends	-	(2,000)
RETAINED EARNINGS - end of year		$ 90,955	$ 71,169

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2010
(in thousands)

	2010	2009
OPERATING ACTIVITIES:		
Net income for the year	$ 19,786	$ 18,335
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	8,287	7,933
Amortization of rights	1,280	1,288
Amortization of financing costs	322	328
Recoverable channel repair costs and losses (Note 4)	-	6,450
Net change in non-cash working capital balances	(276)	(10,200)
	29,385	24,134
FINANCING ACTIVITIES:		
Dividends paid	(2,000)	(2,000)
Principal repayment of Project Bonds	(6,387)	(6,015)
	(8,387)	(8,015)
INVESTING ACTIVITIES:		
Repayment from joint venture partner	(984)	(9,164)
Deferred costs	(4,302)	(3,894)
Additions to Brilliant power facility and terminal station	(1,434)	(1,459)
Additions to ALGS power facility	(165)	(37)
Additions to Brilliant Expansion	(568)	(8,667)
Purchase of furniture, equipment, vehicles and land	(431)	(2,133)
	(7,884)	(25,354)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	13,128	(9,235)
CASH AND EQUIVALENTS - beginning of year	37,439	46,674
CASH AND EQUIVALENTS - end of year	$ 50,567	$ 37,439
CASH AND EQUIVALENTS CONSIST OF:		
Restricted cash and temporary investments	6,559	6,560
Cash and temporary investments available for operations	44,008	30,879
	$ 50,567	$ 37,439
Supplemental disclosure of cash flow information		
Interest paid	$ 7,314	$ 7,556

The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

1. Columbia Power Corporation

(a) Structure and Financing

Columbia Power Corporation (CPC) is wholly owned by the Province of British Columbia. As an agent for the Province, CPC is committed to entering into joint ventures to develop hydroelectric power projects as set out in the Agreement signed in 1995 (the Agreement) between the Province and the Columbia Basin Trust (the Trust), also wholly owned by the Province.

The Agreement anticipates that several power projects will be undertaken through joint ventures between CPC and subsidiaries of the Trust (the Venturers). The cost of all projects under consideration is expected to exceed $1 billion. Under the Agreement between the Province and the Trust, the Province committed to make $500 million in capital contributions for the purpose of funding capital costs of power projects, with the remaining capital costs to be financed through joint venture borrowings by CPC and the Trust's subsidiaries.

The Venturers each hold a 50% interest in the joint ventures and direct their activities through Management Committees with an equal number of members appointed by each Venturer. All decisions of the Management Committees require the unanimous approval of their members.

CPC is appointed the Manager of the joint ventures with the authority to manage the day-to-day activities of the joint ventures, subject to the direction of their Management Committees and annual capital and operating budgets approved by the committees. CPC's material transactions and agreements require the approval of the Province's Treasury Board.

(b) Power Project Planning

In 1996, CPC and CBT Power Corp. (CBT Power), a subsidiary of CBT Energy Inc. (CBT Energy), a subsidiary of the Trust, entered into the Power Project Planning Joint Venture (PPPJV) Agreement. Under this Agreement, the parties formed an unincorporated joint venture, primarily for the purpose of assessing and determining the feasibility of power projects pursuant to the Agreement between the Province and the Trust.

The Agreement provides for the Venturers to conduct work on specific power projects up to the date that an existing project is acquired, construction has commenced on a new project, or a project is no longer feasible or is abandoned. Prior to a project's acquisition or commencement of construction, approval must be received from the Directors of both CPC and the Trust. The project must also meet financial viability tests consistent with those of a commercial lender. When a project is acquired, or project construction is commenced, the project is transferred to a separate joint venture.

(c) Brilliant Power Facility and Brilliant Terminal Station

Brilliant Power Corporation (BPC) is jointly owned, on a 50/50 basis, by CPC and CBT Power. The Shareholders direct BPC's activities through a Management Committee, with an equal number of members appointed by each Shareholder. All decisions of the Management Committee require the unanimous approval of the members. The purpose of the corporation is to operate the Brilliant Power Facility and Brilliant Terminal Station.

(d) Arrow Lakes Generating Station

Arrow Lakes Power Corporation (ALPC) is jointly owned, on a 50/50 basis, by CPC and CBT Arrow Lakes Power Development Corp., (CBT Arrow Lakes), a subsidiary of CBT Energy. The purpose of the corporation is to construct and operate the 185 megawatt (MW) Arrow Lakes Generating Station (ALGS) adjacent to the Hugh Keenleyside Dam at Castlegar, British Columbia and a 48 kilometre transmission line from the powerplant to BC Hydro's Selkirk substation.

(e) Brilliant Expansion

Brilliant Expansion Power Corporation (BEPC) is jointly owned, on a 50/50 basis, by CPC and CBT Brilliant Expansion Power Corporation, a subsidiary of CBT Energy. The purpose of the corporation is to construct and operate the Brilliant Expansion Project, a 120 MW power generation development adjacent to the Brilliant Dam at Castlegar, British Columbia.

(f) Significant Agreements

(i) Entitlement Agreements

Under Entitlement Agreements, British Columbia Hydro and Power Authority (BC Hydro), a Crown Corporation of the Province, coordinates the operations of the Brilliant power facility, the Brilliant Expansion and ALGS, and receives all of the resulting electrical power. In return, BC Hydro provides BPC, BEPC and ALPC with a fixed amount of capacity and energy from the BC Hydro system.

(ii) Brilliant Power Purchase Agreement

Under the Brilliant Power Purchase Agreement, FortisBC Inc. (FortisBC), a regulated utility operating in British Columbia, will purchase the power under the Brilliant Entitlement, excluding the portion attributable to the regulated flows through the upgraded turbines. The term of the Agreement is 60 years.

In the first 30 years, the power will be sold on a "take or pay" basis with the price payable by FortisBC composed of an operation and maintenance cost charge and a return on capital charge. In the second 30 years of the contract with FortisBC, there will be an annual market-related price adjustment.

(iii) Facilities Interconnection and Investment Agreement (FIIA)

FortisBC operates and manages the Brilliant Terminal Station on behalf of BPC. A Management Committee with an equal number of members from BPC and FortisBC must unanimously approve all expenditures. Brilliant Terminal Station operating and capital costs are recovered from FortisBC through operations and maintenance and return on capital charges as described in Note 1(f)(ii). The term of the Agreement is coincident with the term of the Brilliant Power Purchase Agreement.

(iv) Powerex Backstop Agreement

This agreement provides for Powerex to purchase the Brilliant entitlement, excluding the portion attributable to the regulated flows through the upgraded turbines, if BPC terminates the Brilliant Power Purchase Agreement by reason of default by FortisBC.

(v) Management and Services Agreements

BPC

FortisBC operates and manages the Brilliant Power Facility on behalf of BPC. The management fee and other amounts payable under the Agreement form part of the operation and maintenance cost component described under Note 1(f)(ii).

The Brilliant Management Agreement provides for a Management Committee with an equal number of members from BPC and FortisBC who must unanimously approve all expenditures. The term of the Agreement is coincident with the term of the Brilliant Power Purchase Agreement.

ALPC

Under a Management Agreement, Fortis Pacific Holdings Inc. (Fortis Pacific - the unregulated parent company of FortisBC) operates and manages ALGS on behalf of ALPC.

BEPC

Under a Services Agreement, Fortis Pacific Holdings Inc. (Fortis Pacific - the unregulated parent company of FortisBC) operates and maintains the Brilliant Expansion on behalf of BEPC.

(vi) Design-Build Contract - Brilliant Expansion

In 2003, BEPC entered into a turn-key, design-build contract for approximately $167 million with Brilliant Expansion Consortium for the construction of the Brilliant Expansion. The scheduled Final Acceptance Date for the Brilliant Expansion is September 2010 subject to the satisfactory resolution of all project deficiencies.

(vii) Power Sales Right

In 1997, the Venturers acquired the right and obligation to provide up to 86 average megawatts to BC Hydro during the period January 2003 to December 2014. ALPC uses the Arrow Lakes entitlement to meet its obligations under the contract.

(viii) Green Power Generation Electricity Purchase Agreement (GPG EPA)

In 2003, BEPC entered into the GPG EPA with BC Hydro obtaining the right and obligation to provide 23.12 average annual megawatts from the Brilliant Expansion to BC Hydro for a 20 year period starting with commercial operation of the Brilliant Expansion.

(ix) Electricity Purchase Agreement 2006 (EPA 2006)

In 2006, BEPC entered into the EPA 2006 with BC Hydro obtaining the right and obligation to provide 25.75 average annual megawatts from the Brilliant Expansion to BC Hydro for a 20 year period starting not later than February 1, 2010. Power sales under the agreement commenced in August 2009.

(x) Confirmation of Sale of Unit Commitment Service (••onfirm•)

Upon commencement of commercial operation of the Brilliant Expansion under the Confirm, regulated upgrades energy is sold from Brilliant Power Corporation to Brilliant Expansion Power Corporation, on a market basis.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Consolidated Financial Statements

These consolidated financial statements and notes include CPC's operations and interests in PPPJV, BPC, BEPC and ALPC. The joint ventures are consolidated using the proportionate consolidation method, whereby CPC's accounts are combined on a line-by-line basis with its proportionate share (in this case 50%) of the joint ventures' assets, liabilities, revenues, expenses and cash flows. Intercompany balances and transactions between CPC and the joint ventures have been eliminated.

(b) Temporary Investments

Temporary investments are recorded at market value.

(c) Capitalization and Amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to expense the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service. The corporation includes, as part of the costs of its fixed assets, interest charges incurred during construction.

(i) Brilliant Power Facility and Brilliant Terminal Station

Capital assets are recorded at cost and depreciated on a straight line basis over their expected useful lives. The expected useful lives of capital assets, in years, are:

Power facility	40 - 80
Terminal station	30 - 60

The estimates for asset life-spans are consistent with industry norms.

(ii) Arrow Lakes Generating Station

Capital assets are recorded at cost and depreciated on a straight line basis over their expected useful lives. The expected useful lives, in years, are:

Field and office equipment	5
Power facility	40 - 80
Transmission	30 - 50

The estimates for asset life-spans are consistent with industry norms.

(iii) Brilliant Expansion

Capital assets are recorded at cost and depreciated on a straight line basis over their expected useful lives. The expected useful lives of capital assets, in years, are:

Power facility	40 - 80

The estimates for asset life-spans are consistent with industry norms.

(iv) CPC Offices and Equipment

Computer systems	-	straight line over 3 years
Office furniture and equipment	-	straight line over 5 years
Leasehold improvements	-	straight line over term of lease
Vehicles	-	straight line over 8 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

(d) Deferral of Power Project Costs

Costs incurred in determining the feasibility of acquiring power projects or undertaking preliminary development work on power projects and construction expenditures are deferred. Deferred power project costs include all costs attributable to a project as well as capitalized interest and taxes.

When a project is acquired or construction commences, the related deferred costs of that project form part of its capital cost. When a project is abandoned, the costs deferred for that project are expensed. When a project's costs exceed those likely to be recovered, the excess is expensed.

(e) Financing Costs

Expenditures incurred in issuing the Series A, B and C Brilliant Project Bonds and Series A Arrow Lakes Project Bonds are recorded with the Bonds and amortized using the effective interest method.

(f) ecoEnergy Grants

The ecoEnergy for Renewable Power is a program operated by the Government of Canada to invest in Canada's supply of clean energy. The ecoEnergy Program provides Brilliant Expansion Power Corporation a grant of $10.00 per megawatt-hour of eligible production. The ecoEnergy grant earned through eligible production in 2008/09 and 2009/10 is recorded as revenue.

(g) Revenue Recognition

FortisBC is the purchaser of all power received under the Brilliant Entitlement, except for the regulated upgrades, and has the right to the shared use of the Brilliant terminal station. Revenues are recognized when operating and maintenance costs are incurred and as the return on capital is earned in accordance with the Brilliant Power Purchase Agreement (Note 1(f)(ii)) and FIIA (Note 1(f)(iii)). Regulated upgrade revenues, revenues from the Brilliant Expansion and ALGS revenues are recognized when entitlements are delivered. Deferred revenue arises in BPC when prepaid expenses cannot be recognized as revenue under the Brilliant Power Purchase Agreement until expensed.

(h) Financial instruments

Canadian generally accepted accounting principles require financial instruments be classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available for sale or other financial liabilities. CPC designated its financial instruments as follows:

Cash and temporary investments include deposits in banks and short-term money market instruments. They are classified as held-for-trading and measured at fair value and all gains and losses are included in the Statement of Income in the period in which they occur. Fair value

is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties under no compulsion to act. CPC invests funds with the British Columbia Investment Management Corporation and has funds in the ST2 pooled investment portfolio that holds Canadian money market investments maturing within 15 months.

Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities and project bonds are classified as other financial liabilities and are also measured at amortized cost.

CPC's financial instruments and their carrying values compared to their fair values are as follows:

The fair values of cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short term maturity of these instruments.

Since CPC has classified Long-term bonds as "Other Financial Liabilities," CPC has measured these at amortized cost using the effective interest method as required under CICA Handbook Section 3855.

(i) Asset Retirement Obligations

Canadian generally accepted accounting principles require CPC to determine the fair value of the future expenditures required to settle legal obligations to remove capital assets on retirement. If a reasonable estimate can be determined, a liability is recognized equal to the present value of the estimated future removal costs, and an equivalent amount is capitalized as an inherent cost of the associated capital asset.

Some of CPC's assets may have asset retirement obligations. As CPC expects to use the majority of its assets for an indefinite period, no removal date can be determined and, consequently, an estimate of the fair value of any asset retirement obligation has not been made at this time.

(j) Taxes

CPC is exempt from corporate income taxes.

(k) Foreign Currency Translation

Foreign currency denominated revenues and expenses are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses are included in the determination of net income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

(l) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Items requiring the use of significant estimates include amortization of capital assets and rights. Actual results could differ from these estimates.

(m) Changes in accounting policies

Effective April 1, 2009, CPC adopted a new accounting standard for goodwill and intangible assets. This standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets. The adoption of this new section resulted in the reclassification of the power sales right from Other Assets to Intangibles and had no impact on earnings.

(n) Future accounting pronouncements

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed the decision and timeline to adopt globally accepted accounting standards by converging Canadian GAAP with IFRS for publicly accountable enterprises. In December 2009, the Public Sector Accounting Board (PSAB) amended the introduction to the Public Sector Accounting Handbook confirming that government business enterprises are directed to adhere to standards for publicly accountable enterprises in the private sector as determined by the AcSB. The AcSB confirmed that the date for the first full set of IFRS financial statements will be for fiscal years beginning on or after January 1, 2011, with comparative figures for the prior year.

CPC has engaged an external advisor and assembled a core project team to assess and evaluate IFRS. Regular reporting is provided to the Audit Committee and Board of Directors. Identification of potential differences between IFRS and existing GAAP, as well as detailed assessment of those expected differences has been reviewed. CPC will continue with the processes necessary to be prepared to comply with PSAB directions.

3. Risk Management and Financial Instruments

CPC is exposed to a number of financial risks in the normal course of its operations, including market risks resulting from fluctuations in commodity prices, interest rates and foreign currency exchange rate risks, as well as credit risks and liquidity risks. The nature of the risks and CPC's strategy for managing these risks has not changed significantly from the prior period.

The following discussion is limited to the nature and extent of risks arising from financial instruments, as defined under section 3862 of the CICA Handbook.

During 2009, section 3862 was amended to require disclosures about the inputs to fair value measurements, including classification within a hierarchy that prioritizes inputs to fair value measurement. The three levels of the fair value hierarchy are:
Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs.)
CPC considers its fair valued assets, cash and temporary investments, to meet the Level 1 criteria.

a) Credit risk

Credit risks refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. CPC does not consider itself to be significantly exposed to credit risk since its power sales are mainly to BC Hydro and Powerex, both Provincial Crown Corporations. Other power sales are with FortisBC, a regulated utility. CPC's loan receivable is due from BEPC, a related company jointly owned with CBT, also a Provincial Crown Corporation.

(b) Liquidity risk

Liquidity risk refers to the risk that CPC will encounter difficulty in meeting obligations associated with financial liabilities. CPC regularly monitors its cash flows and balances and maintains a cash surplus which can be utilized by the joint ventures of CPC/CBT for short-term financing. CPC does not believe that it will encounter difficulty in meeting its obligations associated with financial liabilities.

(c) Market Risks

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: exchange rate risk, interest rate risk and price risk. CPC does not use derivative products to manage these risks.

i) Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. CPC realizes most revenues and all significant expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations. Some of the power sales in Brilliant Expansion Power Corporation joint venture are transacted at short-term market prices in US dollars. Consolidated revenue from these short-term market sales equaled $2.2 million for 2009/10 (2008/09 - $4.6 million) and is included in the ☒ale of power" line item in the Consolidated Statement of Income. A one cent change in the Canadian dollar relative to the US dollar represents an impact of approximately $22,000 in revenue.

ii) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. CPC's debt is at a fixed interest rate and is therefore not exposed to interest rate risk.

iii) Price risk

Price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The majority of CPC's power sales agreements are at long-term fixed rates and are therefore not exposed to price risk. Some of the power sales in Brilliant Expansion Power Corporation joint venture are transacted at short-term market prices and are therefore subject to price risk. Consolidated revenue from these short-term market sales equaled $4.6 million for 2009/10 (2008/09 - $4.6 million) and is included in the ⊠ale of power¨ line item in the Consolidated Statement of Income. A one dollar per megawatt-hour change in the short-term market price of power represents approximately $40,000 in revenue.

4. Cash and Temporary Investments

BPC and ALPC must apply the payments they receive from the sales of power as set out under agreements with the Project Bondholders.

Under its agreements with Bondholders, BPC has established a debt service reserve fund in which it maintains cash or cash equivalents equal to one semi-annual payment on the Series A, B and C Brilliant Project Bonds. BPC also maintains an operating reserve account in an amount equal to one-quarter of annual operating expenses.

BEPC cash includes a US dollar account and a letter of credit account. The US dollar account is for collection of US dollar sales to Powerex. The letter of credit account secures letters of credit issued to BC Hydro for development security under the GPG EPA and 2006 EPA (notes 1(f)(viii) and 1(f)(ix)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

4. Cash and Temporary Investments (continued)

($ in thousands)	2010	2009
Restricted		
Debt service reserve fund Canadian dollar bank account	$ 3,926	$ 3,934
Operating reserve account Canadian dollar bank account	1,348	1,341
Letter of credit Canadian dollar bank accounts	1,285	1,285
	6,559	6,560
Available for operations		
Canadian dollar money market fund	39,920	27,945
Canadian dollar bank accounts	4,082	2,815
US dollar bank accounts	6	119
	44,008	30,879
	$ 50,567	$ 37,439

5. Accounts receivable and unbilled revenue

($ in thousands)	2010	2009
Accounts receivable	$ 3,249	$ 5,473
Unbilled revenue	5,196	5,117
	$ 8,445	$ 10,590

Accounts receivable consists of CPC's share of the sale of power revenue receivable in Arrow Lakes Power Corporation and Brilliant Expansion Power Corporation, ecoENERGY grant receivable in Brilliant Expansion Power Corporation, management fees receivable and recovery of operating expenses from the Trust's share of the joint ventures.

Unbilled revenue consists of CPC's share of earned revenue in Brilliant Power Corporation that has not yet been billed to FortisBC as of year-end. The billing occurs semi-annually in May and November of each year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

6. Capital Assets

($ in thousands)	Cost	Accumulated Amortization	NBV 2010	NBV 2009
Brilliant power facility	$107,815	$ 23,254	$ 84,561	$ 85,180
Brilliant terminal station	13,525	2,813	10,712	11,073
Brilliant lands	2,509	-	2,509	2,509
ALPC power facility	137,546	22,053	115,493	118,038
ALPC transmission	10,745	2,639	8,106	8,477
ALPC lands	3,679	-	3,679	3,679
Brilliant Expansion	121,663	5,505	116,158	117,798
Computer systems	1,171	558	613	497
Furniture and equipment	1,064	386	678	715
Leasehold improvements	1,798	702	1,096	1,326
Vehicles	210	155	55	57
	$401,724	$ 58,065	$343,660	$349,349

7. Expansion Rights

Expansion rights are recorded at cost and include options to acquire lands near the Waneta and Brilliant dams at no additional cost and the right to develop and operate new hydroelectric facilities on these lands. The fair value of these rights may differ from cost. A fair value is not readily determinable due to the unique nature of the expansion rights.

($ in thousands)	2010	2009
Expansion right	$ 25,925	$ 25,925
Less: Accumulated amortization	(843)	(517)
	$ 25,082	$ 25,408

8. Power Sales Right

The power sales right is recorded at cost. Amortization is recorded on the basis of power sold to BC Hydro over the year compared to the total power sales under the agreement. The fair value of the power sales right may differ from its cost. A fair value is not readily determinable due to the unique nature and the extended term of the power sales right.

8. Power Sales Right (continued)

($ in thousands)	2010	2009
Power sale right	$ 11,376	$ 11,376
Accumulated amortization	(6,348)	(5,392)
	$ 5,028	$ 5,984

9. Due from Joint Venture Partner

During the year, CPC advanced $11.0 million (2009 - $17.8 million) in cash reserves to BEPC to allow the venturers' equity invested in BEPC to be transferred to PPPJV for development purposes. BEPC repaid $9.2 million of the loan during the year. The loan also includes $554,000 (2009 - $554,000) of accrued interest recorded during the year. 50% of this related party loan relates to the Trust's share of BEPC and is considered due from CPC's joint venture partner. The loan will be repaid upon BEPC issuing debt or from future cashflows earned by BEPC.

10. Deferred Costs

Deferred costs consist of CPC's share of project development costs related to the Waneta Expansion project. These are mainly costs related to design engineering, environmental assessment, legal, financing, management and overhead items and are carried on the balance sheet based on management's judgment of anticipated future events. A number of significant estimates and qualitative factors are considered by management in determining whether the costs should continue to be deferred or instead be expensed. In 2009/10 $37,000 of development costs were considered not recoverable and were expensed (2008/09 - $10,000).

(a) Deferred Costs Comprise the Following:

($ in thousands)	Deferred Costs at March 31, 2009	2009 / 10 Changes	Deferred Costs at March 31, 2010
Development costs Waneta Expansion (WAX)	$ 14,782	$ 4,302	$ 19,082

(b) Deferred Costs by Expenditure Category

($ in thousands)

	Project Design & Construction	Environmental Assessment	Socio-Economic Assessment	Finance/ Legal Analysis	CPC / CBT Management	Total March 31, 2010
WAX	$6,602	$2,514	$238	$1,782	$7,946	$19,082

(c) Waneta Expansion Project Status

The Waneta Expansion project is a proposal to install an additional power generation facility with a capacity of 335 megawatts at the existing Waneta dam. The Waneta dam is owned by Teck Resources Ltd. (Teck) (formerly Teck Cominco Metals Ltd.) and BC Hydro. In 1994, CPC purchased from Teck the rights to undertake an expansion. One half of the rights were transferred to CBT in 2000.

It is projected that construction of the Waneta Expansion project will take place over a four-year period. The project is expected to be financed with a combination of long-term debt and equity.

In November 2009, CBT and CPC announced that the Waneta Expansion project would not be proceeding as originally planned, and that both organizations would be exploring alternatives with a goal of developing a feasible business model. The final approval of any proposal is required from the boards of both CBT and CPC, as well as the Province of BC.

(d) Subsequent Event

During the year, CPC and an unrelated third party were in discussions for the joint investment in the Waneta Expansion with CBT. On May 25, 2010, the Province instructed that CPC suspend discussions with the unrelated third party to give the Province time to review the proposed joint investment arrangement. This review is anticipated to be completed by June 30, 2010, and at that time, direction will be provided to CPC on how the Province wishes to proceed. The outcome of this review and its impact on deferred costs is uncertain at this time.

11. Long Term Bonds

The Series A, B and C Brilliant Project Bonds are secured on a limited recourse basis by charges against the Brilliant power facility including related material contracts, licences, permits, approvals, authorizations and insurance coverages.

The Bonds are redeemable by BPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding, and a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30%.

11. Long Term Bonds (continued)

The Series A Arrow Lakes Project Bonds issued on August 28, 2003 are secured on a limited recourse basis by charges against the ALGS Facility and Transmission assets including related material contracts, licences, permits, approvals, authorizations and insurance coverages.

The Bonds are redeemable by ALPC in whole or in part at any time before March 31, 2015 at a price equal to the greater of the principal amount then outstanding, and a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.23%.

($ in thousands)

Series	Coupon rate	Effective rate	Maturity date	CPC's Portion of Principal Outstanding 2010	2009
BPC A	8.93%	9.06%	May 31, 2026	$39,606	$40,633
BPC B	6.86%	7.00%	May 31, 2026	11,675	12,049
BPC C	5.67%	6.39%	May 31, 2026	21,455	22,224
ALPC A	5.39%	6.27%	March 31, 2015	27,224	31,442
				99,961	106,348
	Current portion			(6,781)	(6,387)
				93,180	99,961
	Less: financing costs			(2,017)	(2,339)
				$91,163	$97,622

Principal repayments next five years:

2011	6,781
2012	7,202
2013	7,649
2014	8,125
2015	11,048
Subsequent years	59,156
	$99,961

12. Credit Facility

In accordance with its agreements with Bondholders, BPC has secured a $10 million credit facility with the CIBC, which would rank equally with the Series A, B and C Bonds. The facility was deactivated on April 1, 2005. Subject to an annual credit review the facility continues to be available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

13. Share Capital

Authorized:
6 common shares, no par value

Issued:

6 common shares	$6

14. Contributed Surplus

Contributed surplus represents the contributions made by the Province to permit CPC to purchase hydroelectric power expansion rights and to fund power project costs.

15. Capital Disclosures

CPC's capital management objectives are to:

- Target a long-term capital structure with sufficient debt to finance the proposed Waneta Expansion project;
- Finance the debt portion of the capital structure with fixed rate, longer term debt approximately matching the term of relevant power sales agreements;
- Maintain investment grade credit ratings to support continued access to cost effective capital.

CPC's capital consists of shareholder's equity plus debt.

($ in thousands)	2010	2009
Debt	$ 99,961	$ 106,348
Shareholder's equity	367,015	346,970
	$ 466,976	$ 453,318

16. Commitments

(a) Plant Operations

Under its agreements with Bondholders, BPC and ALPC have committed to keep the Brilliant power facility, Brilliant terminal station and the ALGS in good operating condition and to effect all necessary repairs and replacements according to the requirements of good industry practice.

(b) ALPC Fish Entrainment Compensation

ALPC has made a commitment to contribute to the Columbia Basin Fish and Wildlife Compensation Program to compensate for fish entrainment for as long as fish are entrained in the ALGS. In 2009/10 the contribution was $258,000 (2008/09 - $239,000). This funding will be used for fertilizing fish stocks in the Upper and Lower Arrow Reservoirs.

(c) BEPC Project Approval Certificate

The project approval certificate issued for the Brilliant Expansion by the BC Environmental Assessment Office contains a number of commitments during pre-construction, construction, post-construction and operations phases which are being actively managed by BEPC.

(d) Letter of intent

Under a letter of intent with SNC Lavalin, PPPJV has committed to allow SNC Lavalin to perform certain preparation work, not to exceed $2.9 million, until August 15, 2010 in the event that the Waneta Expansion proceeds. The letter defines maximum amounts per month and can be terminated upon notice to SNC Lavalin.

(e) Office Long Term Lease Commitment

CPC has entered into operating leases for office premises that provide for minimum annual lease payments totaling up to $125,000 per year for the next nine years.

17. Contingencies

CPC's operating and development power project activities are affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, BPC and ALPC have agreed to comply or cause compliance in all material respects with such laws and regulations as well as to maintain all material franchises. Under current regulations, the Venturers are required to meet performance standards to minimize or mitigate negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

18. Grants-in-Lieu of Property Taxes

ALPC and BEPC are exempt from property taxes but pay grants-in-lieu of property taxes to host and impacted local governments based on the 185 and 120 megawatt capacities of the ALGS and Brilliant Expansion. In 2009/10 the charge per megawatt was $1,327 (2008/09 - $1,232).

Columbia Power Corporation was directed by the Province to make payments of the grants-in-lieu of property taxes to the host and impacted local governments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010

19. Changes in Non-Cash Working Capital

($ in thousands)	2010	2009
Changes in non-cash working capital:		
Accounts receivable	$ 2,144	$ (1,120)
Prepaid expense	(119)	(353)
Accounts Payable and Accrued Liabilities	(1,982)	(8,278)
Accounts Payable to Related Parties	(54)	(288)
Accrued Interest	(143)	(152)
Deferred Revenue	(124)	(9)
Other	2	0
	$ (276)	$ (10,200)

20. Pension Plans

CPC and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plan Act. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer defined benefit pension plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions. The most recent actuarial valuation (March 31, 2008) determined the Plan had a surplus. Despite the surplus, the Public Service Pension Board of Trustees was required to implement a contribution rate increase of 0.15% each, for plan members and employers to meet the funding requirements of the Pension Benefits Standards Act. The increases went into effect April 1, 2009. Contributions to the Plan by CPC in 2009/10 were $346,000 (2008/09 - $336,000).

Employees of CPC are eligible for the same post retirement healthcare benefits as other members of the Public Service Pension Plan. No provision, other than CPC's required employer pension contributions, has been made in the accounts of CPC for this liability.

CPC maintains an executive pension benefit plan (EPBP). Pension payments from the EPBP commenced in January 2006 upon retirement of CPC's former President. CPC valued the pension liability at March 31, 2010 as $201,000 (2009 - $211,000) on a discounted cash flow basis.

21. Related Party Transactions

CPC is related through common ownership to its joint ventures with the Columbia Basin Trust. CPC is also related through indirect common ownership to all Province of British Columbia ministries, agencies, Crown Corporations and public sector organizations that are included in the provincial government reporting entity.
These consolidated financial statements include amounts receivable from, amounts payable to and transactions with BC Hydro and its affiliates; the Trust and its affiliates; and the Province.

21. Related Party Transactions (continued)

Other than the Trust, which charges the joint ventures on a cost recovery basis, all related party transactions are at market rates.

(a) Due from and sales to related parties

($ in thousands)	2010 Due from Related Party	2010 Sales to Related Party	2009 Due from Related Party	2009 Sales to Related Party
BC Hydro	$ 114	$27,399	$ 81	$22,036
Powerex	1,354	2,132	518	5,448
Joint ventures	648	-	1,498	-
	$2,116	$29,531	$2,097	$27,484

The Due from Related Party amount of $2,116,000 at March 31, 2010 (2009 - $2,097,000) is included in the "Accounts receivable" line item in the Consolidated Balance Sheet. The due from Joint ventures amount of $648,000 at March 31, 2010 (2009 - $1,498,000) relates to recoveries of administration and management costs and also to management fee revenues, and is not related to sales. The Sales to Related Party amounts from BC Hydro and Powerex of $27,399,000 and $2,132,000 for 2009/10 (2008/09 - $22,036,000 and $5,448,000) are included in the Sale of Power line item in the Consolidated Statement of Income.

(b) Due to and purchases from related parties

($ in thousands)	2010 Due to Related Party	2010 Purchases from Related Party	2009 Due to Related Party	2009 Purchases from Related Party
Province	$ 1	$6,770	$ 1	$5,931
Trust and affiliates	164	936	211	989
BC Hydro	-	132	7	139
Powerex	-	45	-	47
BC Transmission Corp.	-	69	-	59
	$165	$7,952	$219	$7,165

Purchases from the Province of $6,770,000 for 2009/10 (2008/09 - $5,931,000) are included in the "Water rental" expense line item in the Consolidated Statement of Income and "Prepaid expenses and deposits' line item in the Consolidated Balance Sheet. The purchases from CBT

(b) Due to and purchases from related parties (continued)

and affiliates of $936,000 for 2009/10 (2008/09 - $989,000) are included in the "Administration and management" line item in the Consolidated Statement of Income and the "Capital assets" line item in the Consolidated Balance Sheet.

22. Comparative Figures

Certain 2009 figures have been reclassified to conform with the current year's presentation.

Glossary

Benchmarking
A measured, "best-in-class" achievement that is used as a reference or measurement standard for comparison and is recognized as the standard of excellence for a specific business process.

Bond rating
A rating assigned to bonds based on the probability of the issuing firm's default. Those bonds with the lowest default probability have the highest rating and generally carry the lowest interest rates.

Canal Plant Agreement
An agreement between BC Hydro, FortisBC Inc., Teck, Brilliant Power Corporation, Brilliant Expansion Power Corporation and Waneta Expansion Power Corporation that provides for the coordination of hydro facilities on the lower Kootenay and Pend d'Oreille Rivers.

Capacity
The maximum power that a generating station can supply, usually expressed in megawatts.

Columbia River Treaty
An agreement ratified by the United States and Canada in 1964, which led to the construction of three storage dams in the Columbia River Basin (Duncan, Keenleyside and Mica) and another one in Montana (Libby). The purpose of these dams was flood control and power production in both countries.

Comptroller of Water Rights
The statutory decision-maker under the *Water Act*, responsible for water licenses and the safety of water-retaining structures.

Debt service coverage ratio
Earnings before interest, depreciation and taxes, divided by debt service payments (debt principal and interest payments) during the year.

Debt-to-equity ratio
Ratio of money borrowed to money invested in the capital structure of a firm.

Design-build contract
A contract between the owner and a contractor / consortium for the design, construction and commissioning of a power project, in accordance with the owner's technical specifications.

Downstream benefits
The extra power that could be generated at United States power plants on the Columbia River that results from the operation of Columbia River Treaty storage dams located in Canada. Under the Columbia River Treaty signed in 1964, the Province of British Columbia owns one-half of this incremental power, called "Canadian Entitlement to the Downstream Benefits." The Province sold the first 30 years of these benefits to a group of United States utilities for US $254 million. The money helped pay for the construction of the three Treaty dams in Canada.

Energy entitlement ratio
The ratio of a project's actual energy entitlements to maximum entitlements.

Entitlement agreement
An agreement to include a hydro project in the larger hydro system for the purposes of optimizing system power generation, whereby the project owner receives a fixed amount of power.

Environmental approval
Approval under the *British Columbia Environmental Assessment Act* (BCEAA) and the *Canadian Environmental Assessment Act* (CEAA), following environmental review and consultation with government agencies, First Nations and the general public. Once BCEAA and CEAA approval is obtained, further permits, licenses and approvals must be acquired from federal, provincial and municipal authorities under applicable environmental legislation for the various aspects of the construction and/or operation of hydroelectric projects and associated transmission lines.

Environmental management system
The part of the overall management system that includes organizational structures, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the environmental policy.

Final acceptance date
The date on which the owner's consultant certifies that everything required to be performed or done by the design-build contractor under the contract has been completed, subject only to warranties under the contract that continue past final acceptance.

First quartile
Measured performance within the top 25% of a study, group or class.

Green power
Power and associated green rights produced from generating facilities that meet specific low environmental impact and social responsibility criteria.

investment grade credit rating
A credit (bond) rating sufficiently high to be considered worthy of low-risk institutional investors such as pension funds.

ISO 14001 standard
The international standard for environmental management, introduced by the International Standards Organization (ISO) in 1996 and updated in 2004.

Limited-recourse project debt
Debt that limits the security available to debt holders in the event of default to only those assets of the debt issuer. The debt is not guaranteed by another party.

Megawatt-hour (MWH)
Equal to 1,000 kilowatt-hours. An average household in British Columbia uses about 10,000 KWH (10 MWH) of electricity per year.

Megawatt (MW)
1 million watts; 1,000 kilowatts. A unit commonly used to measure both the capacity of generating stations and the rate at which energy can be delivered.

Operation, maintenance and administration (OMA)
The cost of operating and maintaining power plants, along with the related administration costs. OMA does not include amortization, taxes, interest or insurance.

Public-private partnership
A cooperative venture for the provision of infrastructure or services, built on the expertise of each partner, and designed to best meet clearly defined public needs through the most appropriate allocation of resources, risks and rewards. In a public-private partnership, the public sector maintains an oversight and quality assessment role, while the private sector focuses on actual delivery of the service or project.

Return on investment
Income available to shareholders as a percentage of their investment.

Water rental
A royalty collected by the Province of British Columbia for the use of water.

Suite 200, 445 - 13th Avenue
Castlegar, BC V1N 1G1
Tel: 250.304.6060
Fax: 250.304.6083

www.columbiapower.org